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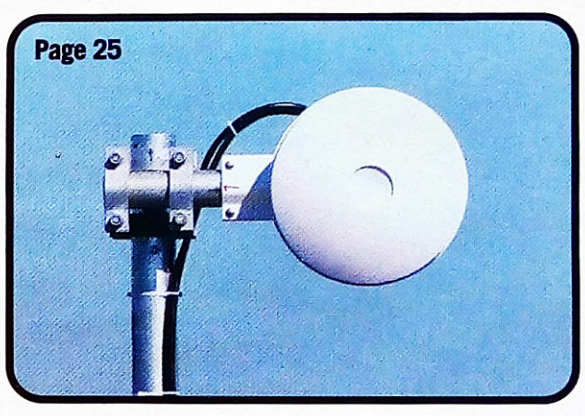

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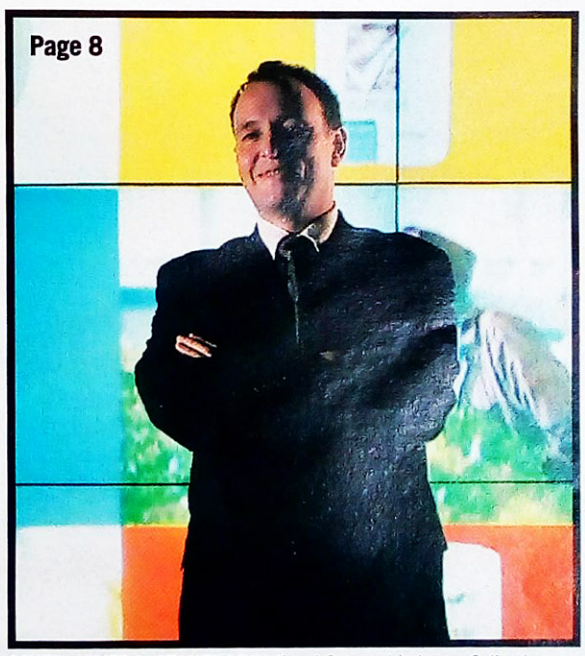

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WORLD **WATCH**

Fire In Our Bellies

BY JANET STILSON

No sooner had I celebrated the new Chinese Year of the Dragon earlier this month, than the roaring creature began exerting its influence on the industry. Come to think of it, it may have shown up a few weeks early.

According to the sages at New York's Epicurean Chinese restaurant, the Flower Drum, "The indomitable spirit of the Dragon has a larger-than-life-size influence because of its incredible energy. It is believed the year will be marked by many surprises, while the electric atmosphere created by the mighty Dragon will affect us all."

It isn't just the Time Warner Inc. and America Online Inc. agreement to merge that has media savants in an electric mode. Eyebrows also raised when European giants in the related world of mobile telephony, Vodafone AirTouch plc and Mannesman A.G., reached a merger accord after a very protracted battle of wills. Talk about a lesson in perseverance.

What also caught many of us off guard was the decision by Britain's Cable Communications Association to discontinue its annual trade fair and possibly pull the plug on the organization itself. Simultaneously, word surfaced that the network executives calling the shots at the United States-based Multichannel Advertising Bureau International decided to close the organization down when its fearless leader Connie Pettit left for Adauction.com, an Internet company that helps facilitate advertising-spot buys.

What many recent media and telecoms deals hold in common, apart from their "gasp factor," is a great deal of sensibility.

No sooner had we absorbed that, than the Canadian cable industry was jolted by news the country would see a massive consolidation with two large multiple system operators, Rogers Communications Inc. and Le Groupe Vidéotron Ltee., agreeing to merge.

What all of these events hold in common, apart from their "gasp factor," is a great deal of sensibility. How refreshing, for example, in this day and age when trade shows and trade organizations are so prevalent — with much duplication of objectives — that two decided they needed to toast their many achievements in the past and call it a day.

In making its decision, the CCA specifically cited the consolidation of the United Kingdom cable industry. It noted the lack of a need for a cohesive organization to represent the industry and the dwindling attendance at its European Cable Communications trade fair.

The same set of circumstances is also in play in other countries, including Argentina and now Canada. And one must wonder if the whole world is formulating a very golden rule that says, with rare exception, individual markets cannot (or should not) support more than two cable operators — if not just one, in the case of Thailand. Where will it happen next? My bet's on Australia.

Further mergers won't be surprising, but the bedfellows certainly can be. Regardless, I have a hunch the Chinese year 4698 is going to become curiouser and curiouser, as Alice once said. See you in Wonderland.

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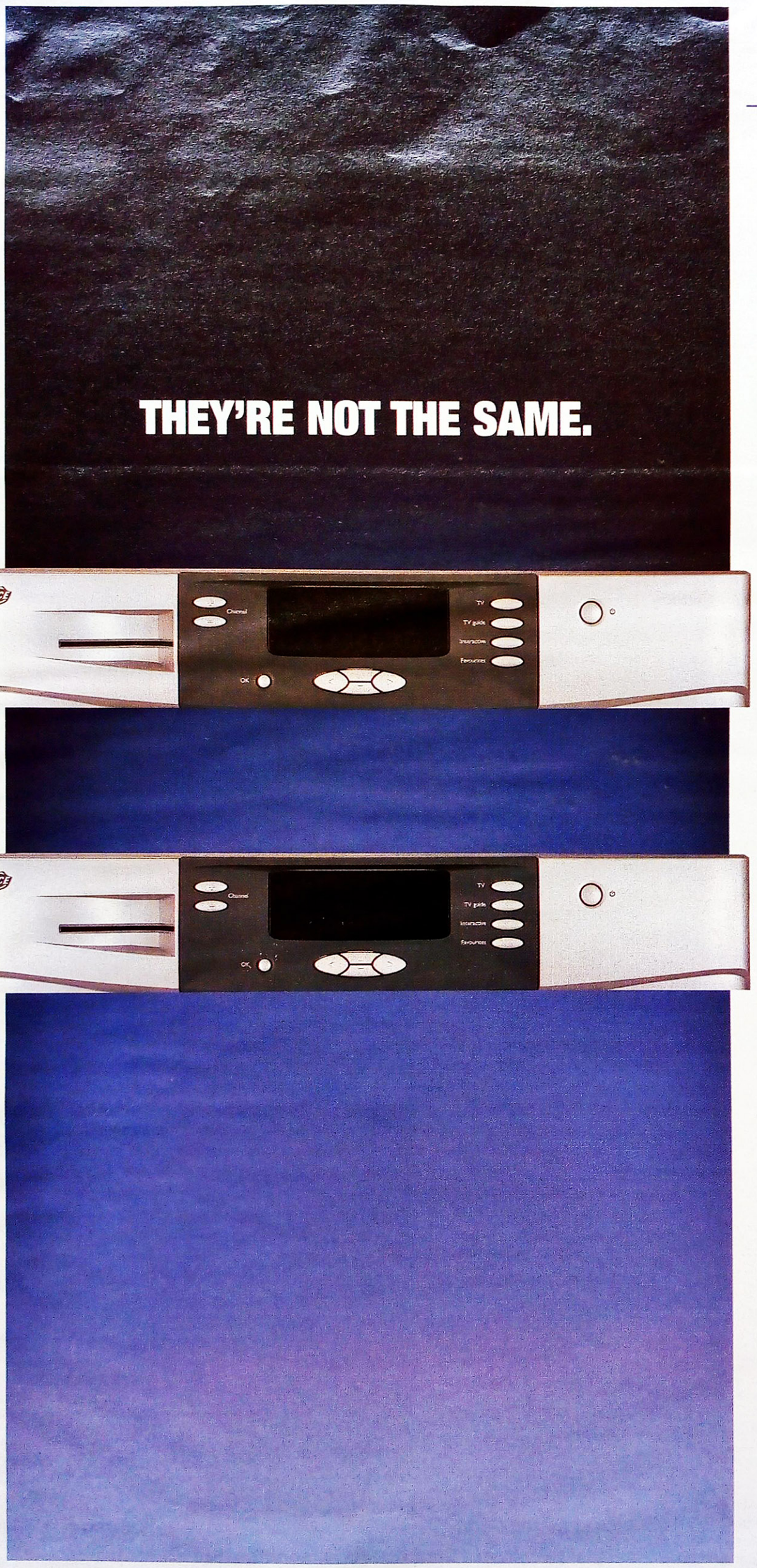

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BLIPS ON THE SCREEN

Strangers in Australia's Broadband Paradise

SYDNEY

BY PIP BULBECK

Donna Lachance and Dana Strong don't know too much about each other, at least not yet. But the two expatriate Americans here are likely to become either fierce competitors or keen colleagues, depending on how certain alliances emerge in the Australian media business.

Both are leading broadband charges in two different regions of Australia. Strong is the recently appointed general manager of wireless-cable and direct-to-home (DTH) company Austar United Broadband Ltd. And Lachance is director of multimedia at cable-TV and telephony operator Cable and Wireless Optus Ltd.

STRONG

LACHANCE

Their future rivalry, or lack thereof, hinges on whether or not Optus chooses to make capacity on its broadband-cable systems in three metropolitan markets available to Austar, whose multichannel-multipoint distribution and DTH platform are currently restricted to rural and regional Australia.

One industry observer calls Lachance "impressive and persuasive." Those traits helped her lure Chris Chapman, a former CEO of the Seven Network, away from his plum job as the chief of Stadium Australia — also known as the

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Quiero TV's 'Beat-the-Clock' Game

Do they really want their DTT in Spain?

MADRID & NEW ORLEANS

BY ELENA RUIZ ARGÜELLO

Amid the hype and hoopla of the NATPE program market in New Orleans last month walked a small enclave of Spaniards with an agenda that few executives in the world share.

The group, from Quiero Televisión S.A., is bent on creating one of the world's first digital-terrestrial-TV platforms to the tune of some $US3 billion over the next 10 years. And they're doing it in extremely short order.

Transmission trials have already begun, and a soft launch of the service is occurring this month, with a more formal and systematic debut to follow in April. But at NATPE, the team hadn't even determined many of its channel offerings. Rounds of talks were underway with most of the major Hollywood program distributors for full-blown networks to help fill the 14-channel lineup. Quiero Televisión, until recently known as Onda Digital, was also shopping syndication deals, as it plans to create as many as three original channels of its own.

A flurry of announcements on channels that made the lineup was expected shortly after press time. But speaking at NATPE, L. Reed Manville, senior vice president of international channels within the world-wide pay TV group at Paramount Pictures, said Quiero Televisión "has a huge gap to close, between what they've proposed to offer and what they'll actually deliver at launch."

But just weeks later, the platform's director of programming, Gino Natalicchio, said the lineup has been determined, and confirms one channel: *Gran Hermano*, or Big Brother. It's a reali-

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CLARIFICATION

The article "Wrestling with the VOD Questions" in the January 2000 issue of *Multichannel News International* contained some misconceptions about the video-on-demand provider DIVA Systems Corp. With respect to the company's present business model, DIVA sells its VOD equipment, licenses its software and provides additional support services as requested on a contract basis. Percentages that were presented in the article as "revenue splits" actually indicated the proportion of different genres of programming on Diva. Furthermore, Diva emphatically denies that it is working with Yes Television.

Canada's Burning Desire

VICTORIA

BY JAMES CARELESS

It may sound like something straight out of a David Lynch movie. But over this past Christmas season, the hottest local cable show in this British Columbia city was a static shot of ... a log. To be precise, a burning log in a fireplace, a log so popular that hundreds of viewers phoned in to protest when it was taken off-air. Today, while some people are chuckling at the incident, others are wondering if there isn't a niche market clamoring for, say, The Fireplace Channel.

Ironically, *Log*, as it's called, was not a live show. It's a two-hour tape loop, says Kim Wildfong, regional program manager for South Vancouver Island at multiple system operator Shaw Cablesystems G.P. Shot by Shaw producer John Carswell, *Log* was originally created a few years ago for a friend who'd recently moved into an apartment without a fireplace. Since then, it's been shown on various Shaw systems over Christmas, cheering viewers and replacing vacationing community-channel programs.

However, Christmas 1999 was the first time *Log* had been shown in Victoria, a city that evidently loves a good fire. After its week-long telecast ended, Shaw received "literally hundreds of phone calls from people saying how much they'd enjoyed it," says Wildfong. "One gentleman said he was going to build a mantlepiece around his television set. Other people insisted that warmth was actually coming from the fire, and [asked] how we did that."

"One gentleman said he was going to build a mantlepiece around his television set."

— Kim Wildfong, regional program manager, Shaw Cablesystems G.P.

But this wasn't all. Two Generation-X viewers, Rodger Banister and Brian Berglund, even formed a tongue-in-cheek protest group to bring *Log* back. Called BLOWS, for Burning Logs of the West Coast Society, the group called for a demonstration outside Shaw's Victoria headquarters on Jan. 6.

Blessed with a similarly wry sense of humor, Shaw gave in to the protesters' demands, retransmitting *Log* for six hours so people could tape it. It also started selling two-hour *Log — Director's Cut*

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ILLUSTRATION BY STEVEN MAXWELL DICK

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Advertising

HotSpots

Wake Up and Smell the Kahlua

BY MAGZ OSBORNE

Some rather inebriating results from a campaign on MTV Asia are showing how effective program sponsorships on satellite-delivered networks can be.

Officials at Allied Domecq Wines and Spirits report a marked increase in sales of their Kahlua liqueur after the company began sponsoring the music channel's dance show, which was renamed *MTV Partyzone - Mixing With Kahlua*. The sponsorship cost Allied Domecq a hefty $US1 million, but the company is so pleased with the results that it's renewing the deal for another year and expanding it into other regions.

Consumption of the coffee-flavored drink in key markets surged to about 24 bottles per night per retail outlet from a mere one or two. In the Philippines, more than 25 resellers that were buying Kahlua from other sources switched to Allied Domecq's official supply channel.

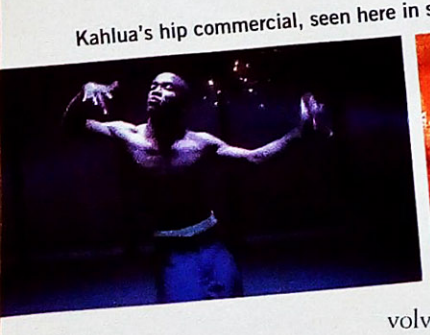
Targeting Generation X instead of "Generation XO" helped Kahlua boost Asian sales.

Can all of that growth be attributed to the MTV campaign? "This is usually the 64,000-dollar question, but we do know that the difference between the first *Partyzone* year [1999] and the prior year was the 'PZ' investment," says Gregg Ainsworth, marketing director of the Asia-Pacific region for Allied Domecq. "There was not really any organic base-market recovery which could account for the shifts."

Kate Stephenson, managing director for Southeast Asia at media-services agency Optimum Media Direction, says the Kahlua effort involved "a comparatively low ad spend, which relied heavily on the MTV tie-in, so Allied Domecq could truly measure the impact of the deal. With many sponsorships, the results are very intangible, with response only measurable by the number of entries to promotions, for example."

The Kahlua sponsorship deal involved several elements. At its heart was MTV's dance show *Partyzone*, which involved not only ad spots, but a renaming for the Kahlua tie-in. Polygram/Universal Records entered into the equation, launching a *Kahlua MTV Partyzone* CD, which sold 200,000 copies and went double platinum in the Philippines. The CD brought Kahlua and MTV into record shops, where tastings were organized.

Kahlua's hip commercial, seen here in stills, made Asian sales pop.



Polygram, which is an equity investor in MTV Asia, also provided DJs and bands for off-air events, including more than 50 parties in the Philip-

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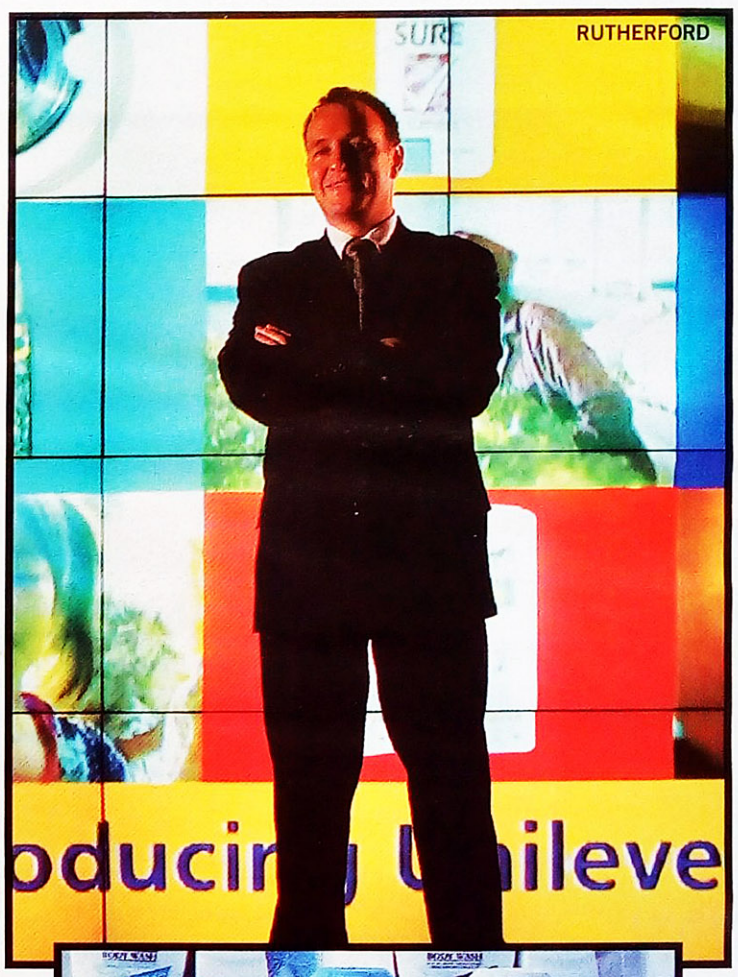
Unilever's Media Maestro

BY ELENA BOWES



Dove soap is just one product from Unilever, the world's second biggest advertiser.

Dressed in khakis with his sleeves rolled up and no tie, Alan Rutherford could easily be mistaken for a friendly advertising creative type, rather than the worldwide head of media for the world's second biggest advertiser. But his calm, laid-back demeanor belies a very focused and driven specialist who is set on revamping the way media buying is managed at Unilever plc, the conservative, 71-year-old Anglo-Dutch consumer-products giant.

Rutherford spent most of last year working 16-hour days and traveling from his London base to far-flung destinations including China, Thailand, Argentina, the Philippines and the United States. "He's more determined than he looks," says Marie-José Forissier, the Paris-based chairman and chief executive officer of Initiative Media Worldwide, the media-services network of advertising holding Interpublic Group of Cos. Inc. "He's not soft, but he's very diplomatic. He knows exactly what he wants, but he doesn't trigger useless confrontation. He's willing to wait to get it."

Since joining Unilever from ad agency Ogilvy & Mather 19 months ago, the 38-year old Brit has set up a global-media policy group with regional and country heads dedicated to communications planning for specific territories.

Rutherford has also begun an initiative called "communication-channel planning," which will be mandatory across Unilever starting this year, and aims to deliver a consistent brand message to consumers across all media.

"We've put in place a new process, a philosophy, which ensures that we take account of all communications channels when we're putting our brand-communication strategy together," he explains. "Whether that be in traditional, cable or interactive TV, the 'Net, direct marketing, brand PR or whatever, it's all brought together under one brand communication."

Historically, Unilever has focused its media management on the actual purchasing of advertising time and space. As the world's largest producer of ice cream, tea-based drinks, margarine, personal-care products and fragrances, it has the leverage to negotiate generous discounts on those buys.

Even so, improved media planning can increase the effectiveness of an advertising campaign by 50 percent, believes Rutherford, who had 10 years of media-buying experience at O&M, where he worked with multinational blue-chip firms such as International Business Machines Corp., the Eastman Kodak Co. and Irish brewer Guinness Ltd. Media planning "is like a piece of music made up of lots of different notes," he says. "How you put those notes together will determine how good that music is — whether it's a brilliant piece of music or rubbish."

But remixing that symphony won't be easy. "He's taking on a huge challenge, almost completely changing the communication process at Unilever," says Forissier.

"He's asking almost everybody at Unilever to change the way they work. He'll face some reluctance within Unilever, because it's a huge company with some conservatism."

Rutherford's diplomatic skills should prove key in his new job. Mike Walsh, chief executive officer of Ogilvy & Mather Europe, singles out Rutherford's exceptional people skills. "He was head of TV buying, and then we moved him onto the international side to look after some big pieces of business. He was one of the few who traveled well from London on the media side to the local markets. He's a good listener for international cultures. He develops very good relationships."

Unilever spends about $US3 billion a year on TV advertising worldwide. Rutherford thinks terrestrial TV is often overpriced and that companies should consider less conventional means of marketing their brands. As an example, he mentions The Coca-Cola Co., a client he got to know at O&M.

The soft-drinks titan has built huge levels of brand awareness through its presence outside of TV, he notes. "With the prices of [broadcast] TV in the local markets outstripping retail price inflation by huge amounts, after a while we will not be able to afford it all the time," says Rutherford. Unilever spends between 15 percent and 20 percent of its British and U.S. TV budgets on cable and satellite television. In other markets the allocations can vary greatly.

"The way to get Unilever to spend more on pay TV is to get the viewers we want," he says. "[Networks] have to demonstrate that their scheduled programs add value to what we do. Part of the problem is that cable and satellite haven't been measured in terms of audiences as well as traditional TV channels. The rating system is the currency."

Unilever is currently conducting interactive-TV tests for its Sun dishwashing tablet on French terrestrial channels TF1 and M6.

"The tests are really to gain knowledge of how people use interactive TV. Do they really want to know more about the tablets? It's an ongoing brief with our people and the agencies to develop interesting ways of using all communication channels, not just terrestrial TV," says Rutherford.

Unilever is also in talks with Columbia TriStar International Television about running panregional ads on Sony Entertainment Television in Latin America, says Bob Dahill, the programmer's vice president, international advertising sales and marketing. An agreement, according to sources, could lead to a much larger global alliance between the two companies.

Media planning "is like a piece of music made up of lots of different notes," says Rutherford.

Rutherford characterizes himself as a real team player, and doesn't mind when people make mistakes. "At Unilever, people are expected to make mistakes, because unless you try new things you'll never innovate," he says. "The point is: You have to learn from your mistakes."

Dominic Proctor, chief operating officer of Mindshare, the WPP Group plc-owned media-services network, agrees and tips his hat to Rutherford's unconventional style. "In all the time I've known Alan, he's always questioned the status quo," he says. "It's invigorating that someone as big and strong as Unilever is doing that themselves." ■

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On the Trail of Ad Verification

SoundTag Attracts Industry Interest With a New Tool to Detect Ad Blocking

BY WILLIAM SPAIN

Not so very long ago in a market in Latin America, a multinational gasoline company decided to show off its new panregional advertising campaign. So, on launch night, the company rented a hotel ballroom, laid on the food and drink, and invited its local franchisees and other assorted VIPs to come view the first spots in person.

At last, the moment arrived when all eyes turned to the big TV screen. The long-awaited ad flickered on, only to be replaced seconds later by a spot plugging a local car dealership.

This is merely one of the more embarrassing anecdotes about the ongoing practice perpetrated by some local cable operators of blocking out network ads in favor of local spots. While not unique to Latin America, the problem has long been particularly acute there and has become a major stumbling block to network attempts to rope in more panregional business. After all, if a company can't be sure when, where or even if its ad ran in target markets, why bother spending the money on it in the first place?

"For cable to be effective, it needs to be reliable. This clearance issue is priority number one," says Manuel Reyes, regional director for Starcom Latin America, the regional media-buying arm of advertising agency The Leo Group.

"We have a client, a major package-goods company, who was having a tremendous amount of inventory blocked in Latin America," he adds. "Initially, this was a phenomenon exclusive to Mexico, but Brazil and Argentina are just as bad." Without a major fix, the agency was either going to have to deeply discount its panregional buys or drop them altogether.

Various methods of ad verification have been tried, from logbooks to video archiving. None have proven completely satisfactory due to limited application and long time-lags between when a commercial is blocked and when the block is reported to the company that paid for the time.

The good news is that companies affected by this chronic problem seem to agree that the situation has slowly improved. However, many of the old approaches have been stopgap in nature, while everyone has been looking for a permanent solution.

Enter SoundTag, a 50-50 partnership between British tech giant Sipher and South Florida-based Gladstone Strategic Marketing. This system is designed to insert an inaudible sound code into a program, promo or commercial that will then be read by a ground-station. It's essentially a souped-up PC connected to a cable system.

The ground-stations "are located in someplace secure. It could be in a house, a TV-repair shop or a storage facility. They are able to provide daily knowledge and physical evidence of what is getting blocked," explains SoundTag president Howard Gladstone

Taking SoundTag for a test drive

The inserted code is extremely difficult for a local cable operator to detect and virtually impossible to remove without destroying the entire audio portion of the signal, according to Gladstone. It is inserted at the point of origin of a program or ad, and the ground station can report back almost instantaneously when or whether the ad actually ran on the local system.

Another edge that SoundTag can boast of over existing manual systems is its ability to differentiate between commercials a network inserts itself and those inserted at the local level, even if the creative work is similar. An advertiser will thus be able to easily tell the difference between an ad run as part of a local spot buy and one that is running panregionally.

In a recent test, SoundTag placed 12 ground units in four Latin American countries — Brazil, Argentina, Mexico and Chile — where some of the worst instances of ad blocking have occurred. ESPN International and the Weather Channel Latin America participated in the test, and early indications are that it may be the breakthrough everyone has been waiting for.

In fact, the two cable networks were so happy with the test that in early February they signed a formal contract with SoundTag. "We have been running commercials with [SoundTag] encoding, and we have also run some mock-ups on commercial blockage. It is working," says The Weather Channel Latin America president Eduardo Ruíz.

While Gladstone won't divulge what he charges clients for SoundTag (and Ruíz declines to say what his network is paying), the system isn't going to be cheap.

Ruíz points out that "while we have been able to bring down the monthly fee to something we can live with," using SoundTag does represent a major initial investment, since it needs to "work side-by-side with all the traffic systems we currently have in place."

Nevertheless, if it continues to work as promised, "We have, by default, already made it an industry standard," he adds. "Our advertisers want to make sure they are getting what they are paying for, and we believe that with SoundTag, we have finally found a solution."

Various industry experts are optimistic that Gladstone and his technical team have indeed built a new, and far better, mousetrap. Starcom's Reyes, who has been grappling with the ad-blocking problem for years, is among them. SoundTag, he says, has the potential to "be a system-wide, definitive solution." ■

Kahlua,

Continued from Page 8

pines, South Korea, Malaysia, Thailand and Taiwan. With the second year's sponsorship, Hong Kong has been added to the mix. Eight of the parties were televised on MTV and hosted by MTV VJs.

The growth couldn't have come at a better time for Allied Domecq, whose sales suffered amid the Asian economic crisis. The company's premium-liquor brands, such as XO Courvoisier cognac and Ballantine's whisky, had been the preferred tipple of affluent Asian men. But after the crisis struck, "our duty-free sales were drastically hit. Businessmen were neither flying nor buying corporate gifts. We needed to reach a new audience," says Ainsworth.

In a move he likes to describe as moving "from Generation XO to Generation X," Ainsworth's marketing team and Allied Domecq's agency, M&C Saatchi Singapore, decided that a focus on a young demo was in order.

"We wanted far more than the usual sponsorship deal, as we know that the traditional 'and-here's-a-word-from-your-sponsor' strategy just doesn't work with the youth market any more — unless it's ironic," says Ainsworth. Allied Domecq turned to MTV because "they had creative ideas to manipulate their product without an in-your-face approach," he says.

Largely as a result of the campaign, Kahlua sales last year were up 90 percent from their 1998 level in the Philippines, and leapt 263 percent in South Korea. Across the entire MTV Asia market, sales rose about 66 percent. The brass at Allied Domeq's headquarters named the Kahlua/MTV Asia effort one of the company's top-five worldwide marketing initiatives.

Subsequently, similar campaigns began running on MTV in the Nordic region and Greece. That's just as well for Ainsworth, who requested seven times his normal marketing budget to make this regional alliance happen. That was no mean feat in the recession-hit climate of early 1998. Further plaudits came from MTV itself, which awarded the Kahlua campaign its inaugural MTV Youth Marketing Award.

"What makes this a unique case study is the client's willingness to divulge sales figures, and for it to be a product that is easily measurable," says Steve Wellstead, regional client-services director for media buyer Mediacom Asia Pacific. Ruth Stubbs, interactive-media partner at ad agency Euro RSCG's Hong Kong office notes that clients such as appliance manufacturer Philips Electronics, which have advertised on networks including CNN International and Star TV in Asia, do not expect such dramatic results.

"These figures have to be taken in perspective, taking into account the very low base of sales prior to the campaign, and that this is a less expensive product than a flat-screen TV," she says. "This is not unique globally, but it is a great example of how well this completely integrated approach can work in Asia." ■

Why So Many Global Insiders Arrive Early At The NCTA

Each year, many of the industry's top communications executives arrive early at the NCTA Convention to attend the *Multichannel News International* Summit. Held right before NCTA's opening plenary session, International Summit 3 will include:

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SHAPING LATIN AMERICA'S MEDIA DESTINY

César Baez shares some details about how Hicks, Muse, Tate & Furst intends to conquer Latin America.

Earning a reputation as one of Latin America's most expansionist media investors certainly involves a lot of sharp twists and turns. At least that's the experience of Dallas-based private-investment firm Hicks, Muse, Tate & Furst Inc. (HMT&F). That point was driven home late last year when *Multichannel News International* interviewed one of the company's top executives. A few days after the conversation, a call came through requesting that the article be put on ice. That's because the mammoth deal between one of Hicks' holdings, CEI Citicorp Holdings S.A., and Spain's Telefónica International S.A. had just lurched off the rails, putting the company's Latin American status into a state of limbo.

Tense, drawn-out deal making is a necessary evil for many businesses the world over. But HMT&F appears to have had more than its average share of haggles in Argentina's fast-moving pay television market. Soon after the Telefónica deal was halted, it was on again, and asset-swaps were announced last month, pending final agreement.

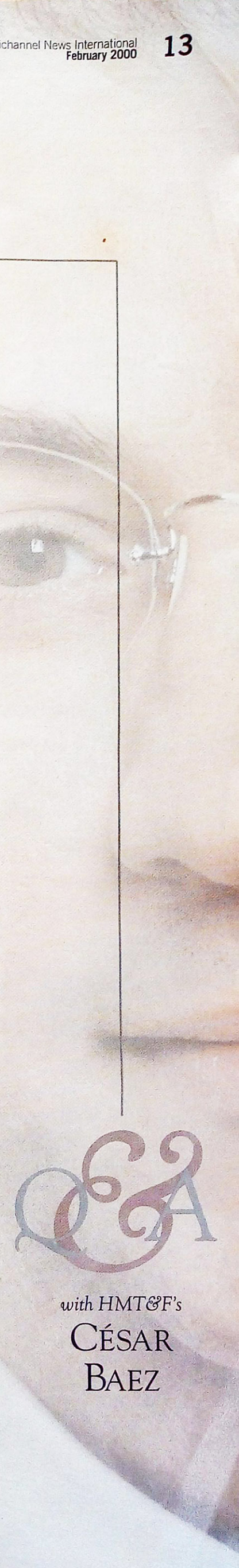
As a result, Telefónica will receive broadcast-TV and radio assets, and a controlling stake in telephone company Telefónica de Argentina S.A. In turn, HMT&F, through a new unit it is forming, gets a minority stake in Telefónica parent Telefónica S.A. It also will acquire a controlling stake in a leading Argentine cable company, CableVisión S.A., in which AT&T Corp.'s Liberty Media International Inc. has a minority stake. HMT&F maintains a 20 percent stake in Argentine sports-rights and programming group Torneos y Competencias (TyC).

To be certain, the challenges continue. In Argentina, HMT&F is competing against Telefónica in the Internet sector. There, it also spars with the country's other cable giant, Multicanal S.A., whose parent, Grupo Clarín, recently received a $US500 million cash infusion from investment bank Goldman Sachs & Co.

HMT&F recently announced that it is preparing a $US1 billion fund to drive its upcoming media, telecommunications and technology investments in the region. The fund is likely to accelerate its self-proclaimed goal of building a panregional cable empire.

Deepening its program assets is also in the cards. Part of that involves the scheduled launch this month of a panregional soccer-focused cable and satellite channel, Panamerica Sports Network.

With all of the above in mind, it was high time for *Multichannel News International* senior editor Jo Dallas to sit down and speak with one of HMT&F's partners, César Baez. An edited transcript of their conversation follows.



MULTICHANNEL NEWS INTERNATIONAL: I want to ask you about a big-picture issue. Do you think that Latin America will experience a trend that's developed in some countries like the United States, where we've seen a number of telephone companies take over cable companies. Is that a natural for Latin America?
BAEZ: I think so, and I hope it happens, because that means that there are multiple exit opportunities for our investments. We are investors, and at some point in time we need to return the money with a profit to our investors. To the extent that companies in the telecoms industry are interested in the investments we are making, we welcome them with open arms.

We have noticed a turnaround and a changing sentiment towards investing in Latin America. Our investors are more comfortable today with Latin America than they were three or four months ago.

MNI: Why?
BAEZ: Well, there have been a couple of elections: the transition from the Carlos Menem [government] to the Fernando de la Rua administration [in Argentina]. There's been the primary held in Mexico for the presidential candidate, which signals further stability. Everyone agrees that the economy in Latin America this year is going to grow — depending on who you ask, between 3 percent and 3.5 percent gross domestic product growth.

MNI: Speaking of Argentina, there are a number of complex moves to your deal there involving the transfer of ownership of CEI Citicorp Holdings to Telefónica, and then to a new group led by HMT&F. What was the reason to juggle things this way?
BAEZ: It's simpler than what you might think. There were corporate-restructuring reasons for doing this. In that sense, what we are doing is selling CEI, and then buying back from Telefónica the participation that we have in TyC and their participation in CableVisión. So as an entity, [CEI] will cease to exist. And the new company, NewCo, will be created and will have three main assets: CableVisión, which it will have majority control of, and TyC, in which NewCo will have a 20 percent stake. NewCo will also have an approximately 3 percent stake in Telefónica.

MNI: Will it be a vehicle solely for Argentine investments or for panregional investments also?
BAEZ: We think that because of the outlook of the main shareholders of this NewCo, it will be the vehicle for panregional expansion into cable and content. The actual operations of the business and the expansion will be done by the operating companies. So, therefore, it would be a natural evolution that CableVisión would be the platform for a panregional cable strategy.

Then when you look at TyC, and what we have in Brazil with our [sports-rights and media company] Traffic, versus what we have out of the U.S. with the Panamerica Sports Network, it's natural that those three entities somehow come together.

MNI: Yes, we've been hearing a lot about your plans to also create a media-content company.
BAEZ: Something like that makes sense for both CableVisión and TyC. Right now, CableVisión is an Argentine cable company, TyC is an Argentine sports-rights company. But we want to grow these businesses outside their national boundaries.

MNI: I estimate you have between 2 million and 2.5 million cable subscribers in Latin America. What are your objectives over the next three to five years?
BAEZ: Well, there are a lot of factors that enter into whether we get to a figure. We'd like to have 5 million cable subscribers. But we may end up getting there sooner if other multiple system operators [MSOs] see the benefits of becoming part of a panregional cable company.

MNI: In Argentina, that scenario does not seem as likely, given that Multicanal is the only other significantly large cable company. Of course, there's Supercanal, but you have not expressed a great interest in that investment.
BAEZ: In Argentina, there are 5 million-plus cable subscribers. If you add Multicanal and CableVisión, there are close to 3 million. Assume Supercanal evolves out of whatever reorganization they need to go through, and that's another 300,000, so that's 2.3 million cable subs. That means there are approximately another 2.5 million cable subscribers out there, small cable operations that we know how to consolidate and which we have started to consolidate. So you don't necessarily need to merge with the largest guy in the market to achieve the numbers.

MNI: So you would rule out any kind of association or investment in Multicanal?
BAEZ: It's not something that we've thought about.

MNI: Well, there's another possible scenario: Telefónica might possibly invest in Multicanal, now that it doesn't have an MSO investment.
BAEZ: I'm not going to comment on that because I am with Hicks, Muse; CEI; and CableVisión. What Telefónica will or won't do in the future is something that I have no reason to comment on.

MNI: What about your remaining partner in CableVisión, Liberty Media International. Is its investment in CableVisión likely to change either in the short or long term?
BAEZ: I don't know what Liberty's intentions are.

MNI: The deal with Telefónica has been presented as an amicable divorce, though in some areas you are competing head on. The clearest example of that is the Internet, because CableVisión has Fibertel and Telefónica has Advance. How do you intend to grab market share from Telefónica's Advance?
BAEZ: Our view is we are going to compete. We'll compete, and at the end of the day the judge of how well we compete is the consumer. We are going lay out the pros and cons of a cable modem, and they are going to do the same thing with dial-up. At the end of the day, the consumer is going to make a choice.

MNI: Currently on CableVisión you offer video and Internet access if the customer buys a cable modem. What other broadband services do you intend to add over time?
BAEZ: Eventually, we are going to offer telephony, more pay-per-view programming, and introduce new products. But the fact is there are network constraints that exist in Argentina. The [addressable] set-top-box penetration is still very low. So what we have to focus on is offering good basic cable-television services.

MNI: Is addressable set-top box penetration less than 10 percent?
BAEZ: Yes, it's less than 10 percent. So what does that mean? It means that we have low penetration. Well, it also means that it's a great opportunity.

MNI: What has to be done to get CableVisión's network up to scratch?
BAEZ: Look, the network is already there, so it's not as if there's a huge capital-expenditure number out there. What you need to understand is the demand among consumers for additional services. Then you make the necessary investment to be able to offer those services. Because you can leapfrog with the technology that's available today, it does not guarantee you that you're going to have a successful business model.

You can put a $US500 digital set-top box in the consumer's hand, but you might not get enough revenue to cover the cost of putting in

that digital set-top box. So you need to analyze what the market will bear and what the consumer is demanding. Right now, what the consumer is demanding is good video service.

MNI: Do you anticipate focusing more on a higher-income demographic in Latin America compared to the United States, say, where wealth is more evenly distributed?
BAEZ: I think you'll have product segmentation. You are a cable company that has a certain product for the people in the A and B categories and certain products for people in the C and D categories.

MNI: Have you applied for any telephony licenses in Argentina?
BAEZ: We are a ways off from something like that. Again, we need to make sure that we stick to the fundamentals and do the fundamentals first before we start thinking about making the investments in other, unproven technology.

HMT&F is increasing its stake in Argentine MSO CableVisión, above

MNI: I appreciate that point. But at the same time it is also uppermost in the minds of cable companies that they need to find telephony partners, so they are able to provide these services at some future date. And I am thinking that the most obvious telephony partner that Hicks, Muse has here is AT&T Corp., the parent company of your partner in CableVisión, Liberty Media International.
BAEZ: Even if I knew the answer to [that I wouldn't tell you].

MNI: Was the decision to invest in Spain's Telefónica a purely financial decision?
BAEZ: That's right. The important thing to remember with what we have achieved with this agreement that has yet to be closed, is that we have gone from owning a stake in a company that controlled Telefónica of Argentina, and which was very illiquid, to having a stake in a company that is quoted on the New York Stock Exchange and on the Madrid exchange, and which has a presence in the international capital markets.
Everyone does the numbers and says, "O.K., this is what they paid for it." But another important factor is that you achieve some liquidity.

"Eventually, we are going offer telephony, more pay-per-view programming, and introduce new products. But the fact is there are network constraints that exist in Argentina."

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Mexican wireless operator MVS Multivisión, in which HMT&F has a 21 percent stake

foreign investment. Look at Argentina as an example, when it lifted its foreign investment restrictions. Look at what it did for the economy and the amount of confidence it generated. What we look for as investors are open markets.

MNI: Has the Brazilian government moved any closer to issuing guidelines for over-the-pole agreements between cable and the power companies? It is something that's holding up plant construction by new cable-license holders, including the consortium you invest in, TV Cidade.
BAEZ: There have been a series of meetings with the different regulators. The Brazilian government has got to make a decision. It is a problem they have to solve if they want us to keep investing in the development of cable. ■

MNI: What kind of revenue do you anticipate from that investment?
BAEZ: Lots.

MNI: Can you put a ballpark figure on that?
BAEZ: I can't because I can't predict what the price of the stock is going to be.

MNI: It's doing very well.
BAEZ: It's gone from $US40-something to $US70-something. So, you know, I wouldn't be able to tell you whether it's going to be $US100 next year.

MNI: Will you be channeling revenues from your Telefónica investment into specific projects?
BAEZ: We don't take money from one investment and channel it into another investment. When we decide to distribute the proceeds of a sale to our investors, it goes into our investors' pockets. We don't divert proceeds to fund other activities. You can't do that as a general partner of a private-equity fund.

MNI: Can you list your goals in order of priority?
BAEZ: We have a fund whose mandate is to look at a broad range of investments. We don't discriminate between funds as to "Latin American Fund One" is only going to cable, and "Latin American Fund Two" is only going to invest in content. Our investors demand that we invest on their behalf across a broad range of sectors. We will continue to be investors in media, technology and telecommunications. We will [also] look at food opportunities [and] financial services.

MNI: Looking outside Argentina, in Venezuela there is a proposal to lift foreign-ownership restrictions. I understand that if this were the case, you would like to increase your equity in your Venezuelan cable investment, Intercable, to 75 percent, to match the economic investment you have in that MSO.
BAEZ: That's our hope. It's always better that way. It attracts more

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CHEERING FOR his team on a Saturday afternoon is about the only thing that gets London-based Simon Oakes, managing director of programming for UPCtv, more excited than the meteoric rise of his company's fortunes.

Luckily for Oakes, UPCtv's recent track record has been considerably more successful than that of his favorite team, Britain's Everton Football Club. Despite a comeback this year, Everton has spent the last few seasons struggling under the threat of relegation from the Premiership — the top British soccer League. During the same period, UPCtv has gone from strength to strength to become one of the top pan-European cable-channel operations.

The unit was spawned just two years ago as the programming arm of Amsterdam-based cable operator United Pan-Europe Communications N.V. (UPC). Already,

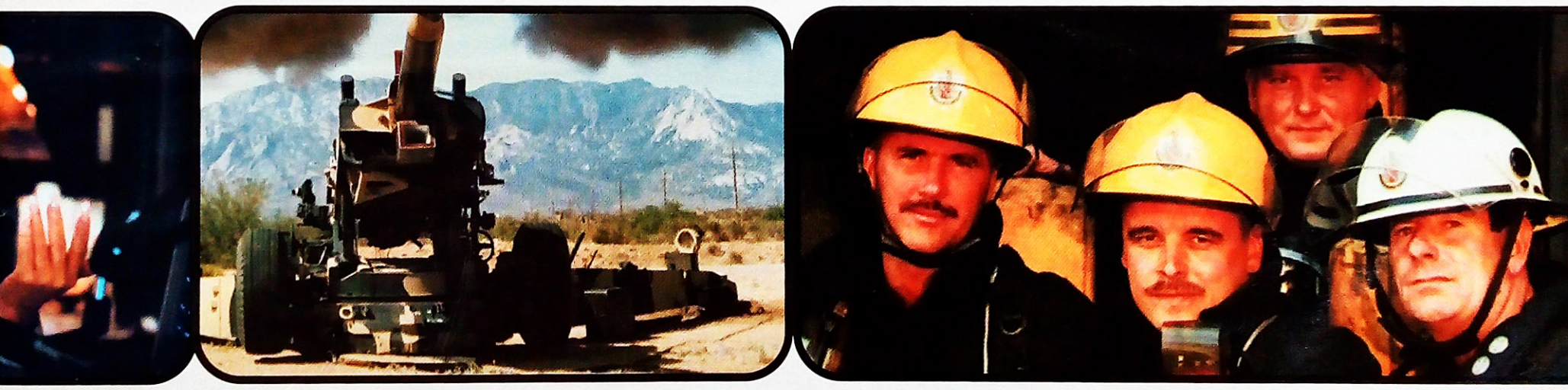
it has developed seven of its own pan-European channels, has acquired several more, and runs IPS, a successful five-channel Spanish and Portuguese joint-venture with the Walt Disney Co. In addition, it has invested in key European programming outfits like SBS Broadcasting S.A., owner of some of the most popular TV channels in the Benelux, Scandinavian and Eastern European regions.

But watch that space. In chatting about the growing mass of UPCtv from his London offices, Oakes promises this is just the beginning. The company has just announced an expanded partnership with SBS Broadcasting that involves a slate of new joint

The ever-expanding bank of channels at UPCtv has earned it a reputation as one of Europe's most prolific programmers. But it's only launched a sliver of what's ultimately planned.

Upping the Ante at UPCtv

BY GUY BISSON



Multiplying in Europe: UPCtv's channels span numerous genres.

venture television channels.

What's more, a host of Internet content that's about to emerge from UPCtv will leverage the power of its parent company's new digital set-top boxes to create a broadband interactive-television-viewing experience. That will help fuel even larger goals. With the precedent set in the United States by the recent agreement by Time Warner Inc. and America Online Inc. to merge, UPC — with more than 6 million subscribers across 13 European countries — is a prime candidate to take center stage in a similar grouping on its home turf.

The ability to show such fast-track expansion is something UPCtv has in its genes. At a corporate level, UPC has almost single-handedly changed the face of the cable business in Continental Europe. It's no slouch when it comes to getting things done. Says Harry Sloan, founder and CEO of SBS Broadcasting: "[UPC] is certainly the most aggressive cable operator, if not media player, in the whole world."

Put simply, its strategy over the past couple of years has gone something like this: If it's cable and available, buy it. The company is looking to become the dominant cable-system owner in each of the countries in which it operates. Since its initial public offering a year ago, UPC has bought outright or taken a significant stakes in no less than 12 cable companies, and acquired Polish direct-to-home (DTH) and cable group @Entertainment Inc. The combined cost of all this activity, according to UPC's Security and Exchange Commission filings, is a whopping $US2.3 billion. All that cash bought UPC an extra 3.6 million cable subscribers, accounting for more than half its current subscriber base.

As if that's not enough, UPC is negotiating to buy some cable systems from the heavyweight German operator Deutsche Telekom A.G. And it's in talks with Telenet — a Flemish Belgium high-speed network owner — to take a significant stake in that company.

There's more: The company also finalized a 2 billion Netherlands guilders ($US920 million) deal with utilities company ENECO to buy its Dutch cable systems. Get the picture now? UPC is not shy about coming up with the cash when opportunities arise. And UPCtv is no less ambitious.

While UPC goes about buying every cable system it can get its hands on, UPCtv will work toward becoming the top content provider in each of its markets. It will certainly get some leverage from negotiating carriage on UPC-owned systems. As Oakes explains: "We believe that by being the number one cable company in a country, you become the programmer of choice. That's been a philosophy driver."

Whatever the situation now, UPCtv certainly didn't start out on this sort of scale. Oakes says that when he launched the channel unit two years ago, "it was the proverbial man and a dog." But to fit in with UPC's master plan, the programming business quickly assumed a central role.

Oakes says the vision of UPC's CEO Mark Schneider has been pivotal to that development. Schneider's "philosophy and vision of the marriage of distribution, technology and content are the key," says Oakes. That philosophy has seen UPC develop a pan-European digital satellite-to-

cable distribution system and a new programming center in Amsterdam.

Schneider's vision will finally become reality when UPC starts rolling out its digital set-top boxes over the coming months. And UPCtv will work closely with the company's other branded units, telephony arm Priority Telecom and chello Broadband N.V. — Europe's biggest cable Internet service — to provide a truly integrated interactive world through the television set.

The seven channels launched by UPCtv last year were based on extensive consumer research across UPC's markets. To date, they've rolled out Extreme Sports and Sport One; classic movie service Film One; men's-interest documentary channel Avante; women's-interest channel Club; family documentary service Reality TV; and Expo, a design-and-arts channel. An eighth basic service will launch some time this year, says UPCtv CEO Stephen Cohen, although he declines to provide any details "We're saving our powder on that one," he says.

UPC hasn't developed the channels only for its own cable systems, which, incidentally, are under no obligation to carry them. They're offered to other cable operators, both in UPC's core markets and in territories where the company has yet to make its mark.

Third-party carriage will become an increasingly important part of the business, explains Cohen, and ultimately the company wants to see more carriage on third-party cable systems than on UPC-owned ones. To date, the company has signed agreements with Deutsche Telekom, Sweden's Telia, and MediaKabel of the Netherlands. Not bad considering the channels didn't begin launching until last October.

Aside from the content benefits, the UPC channels also form part of a deeper political agenda. The company has been at the forefront of the introduction of new-channel business models to continental Europe.

Many European cable businesses were previously run by local authorities as municipal services. They tended toward low-cost, big-basic channel packages with little or no tiering.

While advertising-revenue-driven channels have had few complaints, the situation left little room for cable companies to make a profit, and many resorted to charging channels for carriage on their systems.

That's all changed, as UPC pushes for small basic packages and a series of extended tiers for which the customer will pay a little more. Despite the offer of a carriage fee, advertising-supported channels like MTV have kicked up a stink. But with its own channel unit, UPC has a retort to those afraid of shifting to extended-basic tiers: If we can do it, and do it successfully, so can you.

There will, inevitably, be a period of transition, says Philip Carse, a media analyst with Salomon Smith Barney. "It is going to take a while to drive up average revenue on those [municipal] systems. I've put a cautious revenue projection on that," he says. But, he adds, UPC's own content will help drive consumers to accept the extended basic model, as will its new deal with SBS Broadcasting.

That pact centers on UPC's 18 percent stake in SBS Broadcasting, increased from 13 percent just last month as part of the pair's expanded joint venture channel plans. And it brings a whole lot of benefits. For starters, SBS operates television channels in several of UPC's core markets. It owns terrestrial-television operations in the Netherlands, Sweden, Hungary, Belgium, Denmark, Norway, Switzerland and Poland. Because of that, the company owns a lot of content. And it's quality content, too. Ratings data show SBS's channels to be some of the most popular in their markets and, says Oakes, SBS is the second-largest buyer of movies in Europe after Kirch Group, Germany's TV giant.

Between them, the two companies can offer rights owners a one-stop-shop to shift their product into a terrestrial-television window with SBS's channels, and a pay television window with those of UPC. And don't forget that we're talking free and pay windows on a significant pan-European basis. Increasingly, the pair will also look to the joint purchase of rights; they've already partnered to buy the Amstel Cup soccer tournament in Holland. The partners will also develop a slate of new television channels.

For SBS, the deal offers the chance for valuable diversification of its income streams. Explains SBS's Sloan: "Our strategy going forward is to progress from where we are today, where we have essentially one stream of revenue [advertising], into a company with three streams of revenue: advertising revenue, revenue from pay television and also from Internet services."

UPC and SBS say they will roll out four new joint venture pay TV channels that will initially launch in the Benelux and later spread to a pan-European reach via UPC's satellite-to-cable delivery system. But Sloan says this is just the beginning. "I believe there will be a significant number of channels that we either own together or [in which we] have some kind of a business relationship," he says. SBS also hopes to joint venture with UPC on some Web sites and e-commerce ventures in the future, he adds.

OAKES

And more compelling content could be on the way. Last year, Microsoft Corp. (already a 7.8 percent shareholder in UPC) and Liberty Media International Inc. formed a joint venture that holds a 14.5 percent stake in UPC's corporate parent UnitedGlobalCom Inc.

Few details of the strategy behind the deal was given when it was announced last year. Says Oakes: "When we made that deal, we didn't seek to explain it to the market place. We felt that was explanatory in itself. It gave us an opportunity to leverage off Liberty's investment and Liberty's ability to deliver content, and then Microsoft's ability to deliver technology."

For UPC, the Liberty/Microsoft investment is a bit like having a bar of gold on the mantle piece. It's there for the future when needed. "We know what we want to do with it, but we haven't exploited it yet," Oakes explains. "They are two fundamentally exciting strategic investors in our parent that we know we can create business with."

To top it all off there is a less obvious benefit to the deal. UPCtv has made clear that it wants to push its channels into the British cable market. And guess what. Microsoft owns stakes in NTL Inc. and Telewest Communications plc, two of the three British cable players. Liberty is also a major investor in Telewest. Those ties could provide some useful leverage, says Salomon Smith Barney's Carse. As he explains, "the U.K. market is pretty well-sourced" with DTH platform and channel owner British Sky Broadcasting Group plc, strong terrestrial operators and programmer Flextech plc, which has agreed to merge with Telewest.

A successful basic-cable-channel business is a healthy way to make money, according to Tony Wheble, senior vice president of sales and commercial affairs with Flextech plc. "It's a fixed-cost business in that you have your overheads: your infrastructure, your programming. And the income is all upside," he says. UPCtv, like Flextech, is likely to see its income from the channel business grow as digital offers pull more and more consumers in to the multichannel marketplace.

But it's not all a bed of roses. Sarah Simon, an analyst with Morgan Stanley Dean Witter & Co. describes the channel business

UPC has a retort to networks afraid of shifting to extended-basic tiers:

If we can do it, and do it successfully, so can you.

A Growing Family:

UPCtv's channel and programming holdings

Venture	Country	Stake	Status
Extreme Sports	Pan-Europe	100%	UPC-developed channel
Sport One	Pan-Europe	100%	UPC-developed channel
Avante	Pan-Europe	100%	UPC-developed channel
Film One	Pan-Europe	100%	UPC-developed channel
Club	Pan-Europe	100%	UPC-developed channel
EXPO	Pan-Europe	100%	UPC-developed channel
Atomic TV	Poland	100%	Acquired with @Entertainment
Wizja 1	Poland	100%	Acquired with @Entertainment
Wizja Pogoda	Poland	100%	Acquired with @Entertainment
Twoja Wizja	Poland	100%	Acquired with @Entertainment
Wizja Sport	Poland	100%	Acquired with @Entertainment
Tara	U.K./Ireland	80%	Acquired
IPS	Spain, Portugal	50%	5-channel venture with Walt Disney
SBS Broadcasting	Pan-Europe	18%	Includes channel-development pact

Source: United Pan-Europe Communications, UPCtv

as "higher risk" than systems ownership. She sees the company's @Entertainment acquisition, which brought UPC a number of local channels, as a potential bind. In part, that's because it brings UPC into direct competition with French pay giant Canal Plus S.A., which is also active in the country. The loss-making Polish business could drag down earnings in the near term, analysts think.

Nonetheless, Oakes says there's plenty of room for growth. He calculates that UPC has so far exploited only a quarter of the basic-channel niches available for development in Europe. It will continue to look at strategies to fill those gaps, but it has no intention of stopping there. Premium channels are planned too.

The first of these, pending regulatory approval, will launch in the Benelux markets in April. It's a premium-movie service that UPC is developing with Sony Pictures Entertainment, Walt Disney Co. and Dutch cable operators Casema N.V. and MediaKabel N.V. The channel will go head-to-head with the services owned by Canal Plus. Its channels are currently the only premium service in the region.

And if basic cable channels are a good way to make money, premium is apparently a killer. Says Carse: "If you really want the opportunity to double revenues overnight in some of your homes, then finding good [premium] content is the key to that."

Because of its huge European coverage, UPC is also building a position that would enable it to attract major premium-content owners to develop joint-venture channels. These may, in the future, include Hollywood studios looking for a European gateway.

The next immediate step will be premium sports. In UPC's Continental European markets, there is still plenty of scope to turn national league soccer into a major driver for pay TV, and develop consumer fervor to the levels already seen in countries like the U.K., Italy and France.

Oakes reckons the Dutch market is one where UPC could pull premium rights to league soccer, and a new European premium-sports channel would likely follow soon after.

When it comes to rights acquisition, UPCtv has to keep a close eye on what high-speed Internet service chello is up to. Although Chello is also a part of UPC, the two businesses operate entirely independently in what Oakes describes as "an inclusive and competitive environment."

With its broadband capacity, chello can also deliver video content to the television set. In fact, it was chello that recently secured a one-year rights deal to transmit America's National Football League. Conversely, UPCtv has developed an interactive-games channel in partnership with Sony.

Soon the distinction between delivery method for content will become increasingly blurred. After all, as far as the viewer is concerned, it's all coming through the same set-top box and from the same cable company.

Moving forward, "it may well be that chello will end up being the lead in the purchase of rights from the Internet perspective ... and that UPCtv would be the lead for rights for the television spectrum," says Oakes. However, if UPCtv were to buy key soccer rights, chello would be the one to exploit them in the Internet environment, he adds.

Pretty soon, a portion of chello will be floated to the public, and some analysts are betting that each of the UPC business units will ultimately go the same way. That would leave UPC as only a parent company and infrastructure owner.

Such a development may increase the separation between chello and UPCtv. But for now, the relationship between the two, however competitive, is a big plus. On top of its plans to hugely expand its channel portfolio, UPCtv is developing Web content that will gel, and ultimately mix with its programming. In the near future, viewers will be able to go seamlessly from the television feeds of UPC's own channels to broadband-Internet sites. Chello, no doubt, will be on hand to offer advice. ■

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TELEVISION COMpanies in the Middle East have a lot to thank the Iraqis for. Almost 10 years ago (on Aug. 2, 1990), Iraqi troops invaded and occupied Kuwait. What then happened changed Middle East broadcasting forever.

Prior to the invasion, television viewing was restricted to a few local channels. The Desert Storm battle to retake Kuwait let the multichannel "genie" out of the bottle, provoking a stampede of satellite-dish installations that continues today. Indeed, in some countries, about 75 percent of TV households have access to satellite television. Even low-end estimates place the region's satellite-TV household base at 40 million households.

Moreover, a typical satellite-equipped home in the Middle East now has access to hundreds of channels, with new services launching almost every week. The past year has seen nothing short of an explosion of new free-to-air, satellite-delivered channel offerings across the region. And there's another radical (for the Mideast) trend emerging: thematic free-to-air channels. Until now, newcomers largely have fallen into the category of all-embracing, full-service networks that each tried to be all things to all viewers.

Not only are the types of channels changing, but there is also a newfound confidence among the relatively new television entrepreneurs, who contend that they can make free-to-air niche channels work. That attitude also is infecting the region's direct-to-home (DTH) platforms, many of which are backing the new program networks.

Take Turkey, for example, where a new digital-DTH bouquet called Dijital expects to launch this spring. Last October, CNN entered into a joint venture with local publishing giant Dogan Group to launch CNN-Turk, a 24-hour, Turkish-language channel "produced by Turks for Turkish viewers," in the words of editor-in-chief Ferhat Boratav. CNN-Turk is probably the first of a few alliances between Turner Broadcasting System International and Dijital, which is backed by Dogan.

At left, Showtime employees check their gear at the foot of the Kuwait Broadcasting Towers

Genie Out of the Bottle

As the DTH business matures in the Middle East, entrepreneurs wishing to exploit a revenue gold mine are increasingly turning to unencrypted channels.

BY CHRIS FORRESTER

"We are in discussions with Dogan's Dijital platform right now, and hope to be participating in the DTH project. We want very much to be part of those plans, and are studying the best and most cost-efficient method of localizing Cartoon Network and Turner Classic Movies," says Ron Ciccone, a CNN-Turk board member and the vice president and managing director of CNN International's Middle East operations. Dijital will be a subscription-based platform, but will contain plenty of free-to-air channels.

Morgan Stanley Dean Witter & Co. analyst Sayra Can says Dogan's Dijital bouquet "will [potentially] be the second-largest digital platform in Europe" in terms of target audience. That figures. Turkey's population of 64 million is second only to Germany's in Europe. And while Turkey's gross domestic product lags dramatically behind that of Germany, its advertising revenue is expected to grow this year.

Last year's pair of devastating Turkish earthquakes stifled economic activity, especially through the key autumn months leading up to the winter holidays. Overall, 1999 ad expenditures are expected to slide 10 percent to 15 percent from 1998's $US1.1 billion.

Broadcast and pay TV's share of 1998 ad spending was some $US420 million. And according to local statistics, the new free-to-air channels are the fastest-growing media sector, in terms of not only advertising, but viewing as well.

Through October of last year, the free-to-air channels garnered 20 percent of all viewing, with advertising increasing faster than total audience share, according to research firm Initiative Media.

This new wave of Turkish channels should benefit because they spill over across the country's borders. Ciccone says that CNN-Turk's signals will probably reach 100 million Turkish speakers. His eyes are focused not only on the local population, but on potential viewers overseas, "in particular, the Turkish-speaking regions of central Asia and the European areas — like Germany — with large Turkish expatriate populations."

CNN is actually something of a latecomer to a party that already includes more than 20 Turkish terrestrial networks, most of which are retransmitted by satellite. In the mix are a couple of established 24-hour news channels, one of which recently deviated from an all-Turkish-language policy to include English-language content across half of its lineup. The Istanbul-based channel, NTV, has been on the air for three years and is deliberately setting out to exploit unencrypted niches.

The channel's CEO, Nuri Colakoglu, recalls that at the time NTV launched, few observers expected any local impact from an all-news channel. "The main network-news shows were going tabloid, going down-market in their fight for ratings. We took the other route," he says. NTV's upscale, serious approach garnered ad revenue of $US4 million in its first year, $US16 million in 1998 and close to $US30 million last year, he says.

NTV is expanding, Colakoglu adds. "We will launch or acquire other thematic channels, because this is where the democracy of television lies. Our aim is to create six of those channels, and some we now have in place." Three channels — general news, business news and music — are already on the air. NTV's portfolio will also feature entertainment, children's sports, documentaries and film channels, he says.

Unencrypted channels like the ones in NTV's present and future stable are proving a smart bet not only for those that create them, but for digital platforms as well. The DTH services "must include some free-to-air [unencrypted] channels in their offerings. It is only by a mix of pay TV and free-to-air channels that digital television will grow and expand," opines Giuliano Berretta, director general of satellite operator Eutelsat. That company is owned by a consortium of European telcos and has been chosen to carry Dijital.

Berretta's advice seems to have been taken by most Arabic-bouquet operators. For example, Showtime, the joint venture between Kuwait Investment Projects Co. (KIPCO) and Viacom Inc., transmits from the NileSat 101 satellite. The bird also carries a couple of dozen unencrypted channels. And while Showtime doesn't package unencrypted channels in its own bouquet, viewers can access them with digital set-top boxes.

KIPCO CEO Faisal Hamad Al-Ayyar explains that "Western" programming is vital to his lineup. Because many national channels from countries such as Lebanon or Egypt are now available on satellite, and so many Arabic entertainment channels are "clones of one another," he believes that the Western channels offered by Showtime give it a mark of important distinction.

Showtime now supplies 16 channels to subscribers (see chart page 22). The latest additions — English-language feeds of CNNI, Cartoon Network and Turner Classic Movies — were a considerable coup.

Indeed, an increasing number of Showtime's signals are localized with subtitles and Arabic interstitials. Al-Ayyar explains why Showtime relies so heavily on Western content: "Take movies. The total library of Egyptian movies, since [the industry's] inception, is about 6,000 films. If you have 25 or so free-to-air channels, each showing a movie every day, then you will quickly see every one of those movies," he says. "Not all have stood the test of time, which means you can see the good ones very frequently."

Al-Ayyar recognizes that his Western bouquet must be viewer-friendly, "Of course we subtitle for our audience, and it's important that we are in the right platform, surrounded by plenty of Arabic-language programming."

Sticking totally to imported Western programming, with some localization, is also a way to keep costs firmly under control. But there's a very different brief that's followed at Showtime's satellite stable-mate Arab Radio & Television (ART). That platform operates as a separate bouquet on NileSat, but it is available to Showtime subscribers — and vice-versa — for an extra payment. ART is firmly committed to creating fresh, new programming, but

Continued on Page 38

Multichannel News International

2000 Guide to Middle East Program Connections

THE PROLIFERATION OF FREE-TO-AIR CHANNELS distributed by satellite continued over the last year in the Middle East, aided by the launch of ArabSat 3A. The satellite, considered the region's "hot bird," boasts 39 channels, all transmitted in the clear. The sheer bulk of channels on ArabSat 3A, as well as those carried by the region's direct-to-home (DTH) platforms, is illustrated on our accompanying chart.

That growth looks to continue, as Middle East programmers push to develop not only general-interest free-to-air channels for satellite distribution, but niche ones as well. The region's DTH platforms have also ramped up their channel investments.

And even while Mideast DTH platforms experience growing pains, optimism remains. A Turkish digital-direct-to-home platform, Dijital, is set to launch this spring, and international programming heavyweights such as CNN International are increasing their own investments in the region.

Contributing editor Chris Forrester researched this year's chart.

DTH platforms | **Satellites** | **Free-to-air channels** | **Pay TV channels**

SHOWTIME BOUQUET
Middle East

- M-Net
- The Movie Channel
- Nickelodeon
- Paramount Channel
- TV Land
- MTV Showtime
- Style
- Bloomberg TV
- Discovery Channel
- Hallmark Arabia
- VH-1 Export
- Turner Classic Movies
- Cartoon Network
- CNN International
- Sony Entertainment Television
- ShowNet
- Music Choice (10 audio channels)

ORBIT
Middle East, North Africa & Europe

- Orbit Promo
- Orbit Al-Oula
- Orbit Al-Thania
- Disney Channel Middle East (Arabic)
- Disney Channel Middle East (English)
- Orbit Music Now
- Orbit America Plus
- Orbit Super Movies
- Orbit Cinema City
- Orbit News
- Orbit Fun
- Orbit Hollywood
- Orbit ESPN
- Orbit Arabic Series
- Orbit Express Shop
- DMX+ (24 audio channels)
- TV-7 Tunisia
- Jordan Satellite Channel
- CNN International

ART BOUQUET
Middle East

- ART Promo
- ART Ala Keyfak
- Iqra TV
- LBC Europe
- ART Variety
- ART Sport
- ART Music
- ART Children
- ART Movie

STAR SELECT
Middle East

- Star Movies International
- Star World
- Fox Sports World
- Sky News
- UKTV
- Channel [V] International
- History Channel
- [.TV]
- CNBC Asia
- National Geographic Channel

NILESAT 101
Middle East

ERTU Education 1	Horus Vision 1	Nile News	MBC	Palestinian Sat Channel
ERTU Education 2	Horus Vision 2	Nile Family	Arab News Network	Oman TV
ERTU Education 3	ERTU 1	Nile Kids	NBN-Beirut	Bahrain TV
ERTU Education 4	ERTU 2	Nile Entertainment	EuroNews	Kuwait Space Channel
ERTU Education 5	ERTU 3	Nile Drama	Al Mustakillah TV	Al-Andalus TV
ERTU Education 6	ERTU 5	Nile Sports	Ajman TV	TV5 Europe
ERTU Education 7	ERTU 8	Nile Culture	Dubai Business	Bollywood 4U
ERTU Education 8	Egypt Space Channel 1		Dubai EDTV	Future TV International
Universtity 1	Egypt Space Channel 2		Dubai Sports	Iraq Sat Channel
Universtity 2	Nile TV International		Dubai Drama	Jamahirya Sat Channel

ARABSAT 2A/3A
Middle East

Sharjah TV	Saudi Channel 1	Kuwait Space	Ajman TV	Sudan TV
LBC Sat	Saudi Channel 2	Yemen TV	EuroNews	Oman TV
Egypt Space	TV5 Orient	Emirates TV	Al Musakillah TV	Jordan Satellite Channel
Nile TV International	Syria Satellite	Dubai EDTV	RTM-1 Morocco	Arab News Network
Bahrain TV	MBC	Dubai Sports	TV d'Algerie	Palestinian Satellite Channel
CNN International	Jordan Satellite	Dubai Business	Future TV International	TV7 Tunisia
Future TV International	JSC-Al Jazeera	Abu Dhabi TV	LBC Sat	TV de Mauritanie
Sudan TV	Qatar Satellite	Abu Dhabi Sports	Jamahirya Libya	

The Showtime and ART direct-to-home platforms are distributed by NileSat, while Orbit and Star Select are distributed by ArabSat.
Although some channels are distributed in the clear by the satellites, they are subscription channels when they form part of a DTH platform.

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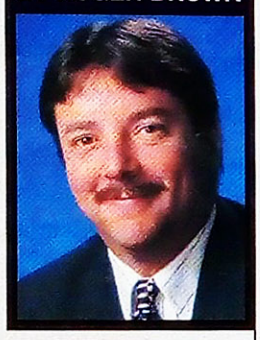
Consolidation's Dark Side

BY ROGER BROWN



IN SYNC

After 14 years of observing and writing about the cable-TV industry, I'm not often surprised by the various events that shape the industry. But I am occasionally caught off-guard by their timing or magnitude. Certainly, the merger agreement by America Online Inc. and Time Warner Inc. in January was one that went into the "shocking" category, mostly because I didn't expect that type of merger to occur for at least another 24 months.

In contrast, the planned buyout of Canada's Le Groupe Vidéotron Ltee. cable systems by Rogers Communications Inc. could have been predicted, considering the "clustering" trend that has come into vogue and allowed large operators to dominate entire markets. But the decision by the Cable Communications Association Ltd. to pull the plug on the European Cable Communications convention in London was indeed a shocker.

The association cited a variety of factors that led to the decision, including dwindling attendance and a wave of consolidation that saw CCA membership fall to just four firms.

Consolidation has become the story of the moment for communications companies. In the U.S., there are only three major local-telecommunications companies and eight major cable operators that serve the vast majority of telephone and video users.

Oddly, this reduction has come as a result of attempts by the U.S. government to actually stimulate more competition through telecom deregulation. But instead of battle lines being drawn between companies of titanic proportions, telecommunications wars in the 21st Century will be waged between the few remaining Goliaths and a whole lot of Davids.

The ECC event was also the victim of its constituents' own success. Although Britain's cable-TV networks were constructed primarily to transmit video channels, technology allowed service providers to pump voice and data signals over fat fiber optic lines at high speeds. This combination of high bandwidth, along with a migration to digital technology, has enabled those providers to expand beyond video into a full spectrum of communication services. Furthermore, the rise in popularity and usefulness of the Internet had a profound effect.

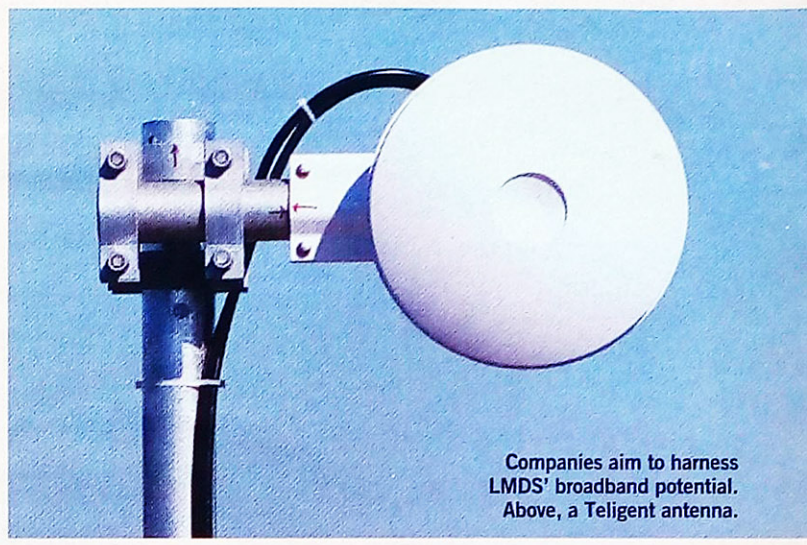
"I think I saw the future the first time I visited [a] Web site that had downloadable Real Player training seminars, which means you don't need to travel halfway around the world to learn about digital testing," notes CCA convention director John Robertson.

Consolidation and the push into new services are having a profound effect around the world. Service providers need to sit up and take notice.

A New Shift for LMDS

Companies Expand Wireless Service to Markets Worldwide

BY HANK HOGAN



Companies aim to harness LMDS' broadband potential. Above, a Teligent antenna.

A funny thing happened to the wireless technology known as local-multipoint distribution service, or LMDS. Originally conceived as one-way, broadcast-video medium operating between 24 gigahertz and 42 gigahertz, LMDS got hijacked and was transformed into a high-speed, two-way data conduit.

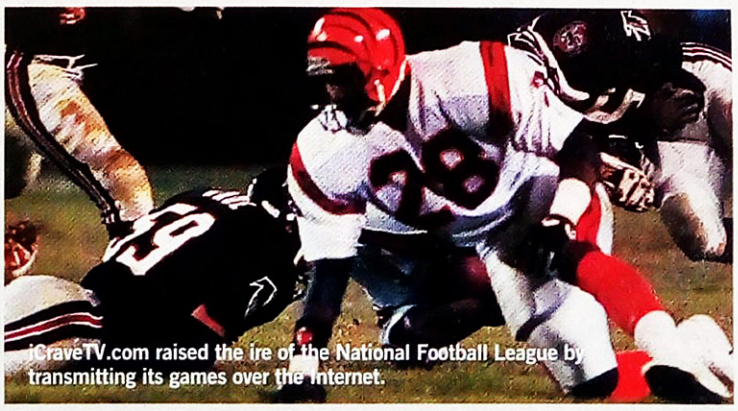
"As the Internet, particularly for the corporate user, became more and more and more popular, the carriers, and particularly the infrastructure vendors, were thinking, 'Let's reposition this. It's broadband access to the Internet.' So that's where the shift has come along," says Brian Cotton, director of consulting services at market-advisory firm Frost & Sullivan.

That shift spawned a whole new series of challenges for LMDS operators. There are technical hurdles to overcome, such as the implementation of a true point-to-multipoint network with dynamic bandwidth allocation. There are business barriers to surmount, such as acquisition of spectrum. The last and, perhaps, greatest challenge may be deciding just what services to offer. That may be vital to the long-term health of LMDS contestants.

"LMDS doesn't necessarily sell itself. How many people do you know who say, 'Oh, I really want an LMDS connection?' It's got to be the end service that will differentiate it," notes Christo-

Continued on Page 28

The iCraveTV Nightmare



iCraveTV.com raised the ire of the National Football League by transmitting its games over the Internet.

BY JAMES CARELESS

As cable operators embrace the Internet as their newest source of revenue, engineers have privately battled behind the scenes to keep it from becoming the industry's own worst fear amid the explosion of streaming video and audio.

iCraveTV.com, a Toronto company that had been streaming Canadian and United States broadcast-television signals over the Internet without copyright clearance, was shut down last month after a temporary injunction was granted following lawsuits by Hollywood-studio trade group the Motion Picture Association of America (MPAA) and the National Football League and National Basketball Association of the U.S.

The three organizations intend to go back to court, aiming to make the injunction permanent. Meanwhile, north of the border, the Canadian Association of Broadcasters is also taking iCraveTV to court, in an effort to shut down the service for good.

As Web bogeymen go, iCraveTV became the cable-TV industry's worst nightmare come to life: an unregulated source of cable-TV programming that actually bypassed the cable operator. This is why many observers say the MPAA's victory is also a victory for cable TV.

On the other hand, pulling iCraveTV's plug offers no real protection against piracy, because it only applies to legitimate busi-

Continued on Page 34

BROADBAND INTERNATIONAL

Forecasting a Broader Broadband Bonanza

The Changing Fates of Cable Modems and DSL are Part of Ovum's New Report

BY CRAIG KUHL

The insatiable thirst for more bandwidth has become a global phenomenon, and by 2005, actual bandwidth capacity should reach an average annual growth rate of 90 percent. What's more, 83 percent of the international demand for bandwidth will come from the Internet sector. Those are some of the forecasts in in a recently released report on global telecommunications and Internet-protocol markets from British research firm Ovum Ltd.

The report tracks the explosion of bandwidth demand worldwide, as global multimedia companies continue to develop and deploy advanced services, such as Internet access, high-speed data, IP telephony, digital subscriber lines (DSL), and cable modems.

The growth of the Internet, the report says, is propelling a booming electronic-commerce market, which on the consumer side is expected to reach $US358 billion worldwide by 2005.

Business-to-business transactions are projected to reach $US2.1 trillion, growing at an average annual rate of 60 percent over the next five years. "This is something fundamentally different than anything I've ever seen before," says Richard Kee, Ovum's U.K.-based forecasting manager and author of the study, *White Paper on Global Telecommunications and IP Markets*. "The combination of Internet services, broadband growth, data and other technologies are all coming together and changing the entire global business structure. So much is happening all at once."

Ovum's report makes two key observations: The supply of bandwidth will generally exceed demand, and competition will bring prices down to commodity levels. With these two market components in place, capital investment in international bandwidth capacity will be more appealing. "The massive growth in demand will lead to revenues that will justify current and future investments in international bandwidth," Kee says.

The multiple Internet-user segment is expected to see impressive growth as well, the report reveals. The total number of Internet users worldwide will reach almost 700 million by 2005. Over that period, the number of users per consumer Internet-access subscription will grow by 43 percent, while users per business subscription will increase by 22 percent.

DSL ADVANCES

Cable modems will eventually lose ground to digital-subscriber-line technology, the report predicts. Beginning in 2002, DSL connections will begin to overtake cable modems, and by 2005 the worldwide DSL-installed base will be 2.6 times larger than that of cable modems. Worldwide, DSL connections will number 52 million by 2005.

Notes Kee: "[Cable] modems haven't performed like they're supposed to, so DSL has caught up. But in the end, cable has the advantage, because they have fiber in the streets, and the potential to expand end-to-end fiber is great."

That potential, however, isn't being realized, says Tim Johnson, manager of access for Ovum in the U.K. "Cable is neglecting some things like cable-modem standards in Europe. It's a mess. They must show some leadership and work toward an agreed cable-modem standard in Europe. In the meantime, other standards look more attractive," he notes.

The industry structure will undergo fundamental changes as well, the report notes. Global telecom and IP markets will migrate from vertical to horizontal integration, with a select few operators dominating one or two levels of the supply chain. "Consolidation will increase through vertical integration, but will be harder to sustain, so horizontal integration will be more popular in the next 10 years," Kee says.

Additionally, increased bandwidth and new networks are expected to spawn three new services: access, or connections from business to public networks; interconnectivity of closed user-group services on public IP networks; and applications, or next-generation services. The market for these services, the report predicts, will reach $US23 billion by 2005.

"The bandwidth explosion is very real," insists Johnson. "There are huge amounts of fiber and cable being sold, so there's high capacity at low margin costs. The curve of demand is going up as steeply as capacity on the access side, and people are using it. Cost is a bit of a barrier, but not much," he says.

One barrier to that growth, however, is the integration of a billing solution. "The costs of billing systems and managing the network remain, and are growing issues. These management costs could overwhelm any other revenues, and billing is an issue that drives the pricing, so it must be simple," Kee says.

BILLING OBSTACLES

Developing a simple billing and customer-care system that is flexible enough to handle the countless issues from country to country is easier said than done, however. With international taxation, regulations, inflation adjustments and network-management concerns differing widely, billing companies are frantically piecing together the international puzzle.

"We've really had to [characterize] our business rules from region to region, and the software needs to run those rules. We may have to interface with a switch we've never seen before, so we have to react to those demands. It's very complex," says Craig Hanson, chief technology officer for DST/Innovis (formerly CableData Inc.), a billing and customer-care provider whose products serve more than 14 million customers in 33 countries.

Convergys Corp., a billing and customer-care company whose CableMaster 2000 system is deployed in the United Kingdom and other international markets, is seeing a move by multimedia companies to outsource their billing systems as they add new services. "Outsourcing is becoming more appealing to global companies because they want the best solution, the best business case and the best value, which means price and performance. We can build a data center, operate it, then offer [the client] an option to run it themselves in three to five years. We're looking to do more of that," says Bob Marino, president and CEO of Convergys Information Management Group.

Despite the complex billing issue, global telecommunications and multimedia businesses are expected to grow substantially over the coming years, the report says, and multiple users of the Internet will be crucial.

Between 2000 and 2004, global growth rate of Internet subscriptions will slide to 12 percent a year from 30 percent. At the same time, however, the market will see more and more users per Internet connection, prompting an urgent need for multimedia companies worldwide to "develop a new generation of networks, primarily based on IP technology, in the next decade. These will open up new service opportunities and lead to customer driven services being the key to profitability," the report says.

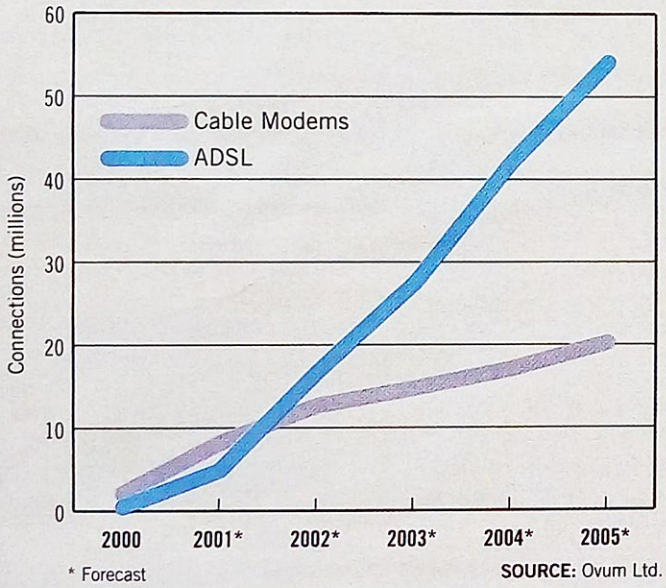
Deploying new services is no walk in the park, however, especially when considering the complexities of mixing Internet, data, voice and video. Says Johnson: "It's like the beginning of the World Wide Web, except when it was invented you just needed an [Internet-service provider] structure and phone. Now, it's a lot harder. And rolling out the services has huge issues, like getting the marketing right and getting the money in. So we think the full wealth of offerings are years away."

To be successful, network operators will have to upgrade their networks to cope with the growing demand for bandwidth and to provide platforms for integrated voice, data and video applications, the reports suggests. And it must be done in a rapidly changing environment of IP, competition, technology and regulation.

At the end of the day, however, the multimedia and telecommunications companies whose infrastructures are the most robust, and which offer the greatest array of services, along with the most innovative billing and customer care systems, will likely take home the biggest prize, the report suggests.

"We believe the opportunities are rich and varied, and it's an internationally based growth," concludes Johnson. ■

Global ADSL and Cable-Modem Connections



* Forecast

SOURCE: Ovum Ltd.

Global E-Commerce Transactions

	Business to business	Business to consumer	Total
2000	$US218.3B	28.9B	247.2B
2001*	344.5	48.7	393.2
2002*	543.1	80.6	623.7
2003*	133.2	857.8	990.9
2004*	1,400	218.6	1,600
2005*	2,100	357.9	2,500

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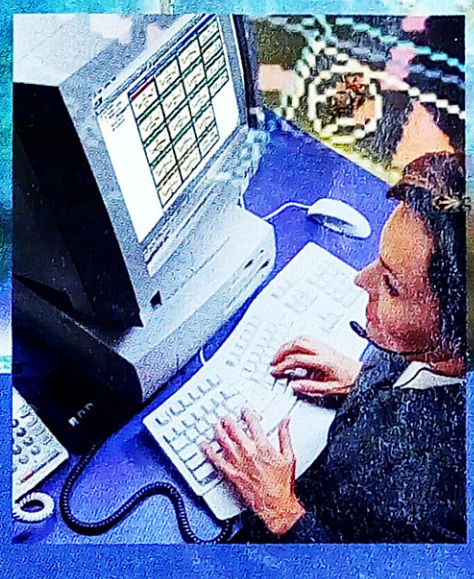

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LMDS,

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pher Whitely, a project manager with telecommunications market-analysis firm Insight Research Corp.

These challenges have to be handled even as operators begin to deploy LMDS worldwide. There are trials or actual deployments underway in Europe, South America, Asia, and North America. Partly as a result of such global efforts, Frost & Sullivan predicts the LMDS market to grow at a compound annual rate of almost 26 percent, with worldwide revenue in 2005 of $US8.5 billion. Insight isn't as bullish on the market, but predicts 900,000 LMDS access points in the United States alone by 2004, generating revenue of $US419 million. All of this growth, and the planned deployments, are targeted at data traffic, with some voice and video, too.

In Europe, Sweden's Telenordia Oy is deploying an LMDS network based on equipment from vendor Newbridge Networks Corp., of Canada. The network should be operational this year.

The rest of Europe is a battleground among multinational carriers. Among them is Denver-based Formus Corp. Through affiliates, the company has licenses in Poland, Germany, Finland, Austria and Ireland. Formus is also conducting trials in two markets where spectrum has not been allocated for any carrier: Budapest, Hungary, and Strasbourg, France. The only city where Formus has real, live customers, however, is Warsaw, Poland. Formus is in a "quiet period" as it prepares its initial public stock offering, and declines to make any public statements until the second quarter, when the IPO is expected to occur.

There are two other contenders in Europe. Virginia-based Teligent Inc., which is offering LMDS service in 40 markets in the U.S., has formed a joint venture, Banda26, with Jazztel to pursue spectrum in Spain. It also has spectrum allocated in 36 German markets. Additionally, Teligent has applied for spectrum in France through a joint venture with LD COM, the telecoms arm of the Louis Dreyfus Group and Artémis, the global investment-holding company.

Winstar Communications Inc. of New York owns a 60-city network in the U.S., and has point-to-multipoint spectrum allocated in both Dusseldorf and Hamburg, Germany. It expects to complete the infrastructure build-out sometime this quarter. Winstar also has a point-to-point network up and running in Amsterdam, with two customers exchanging data. The company is waiting for spectrum allocation in Brussels, London and Paris. In all of these locations, Winstar is following what the company hopes will be a highly successful model.

"In the international market, we are exporting our lessons learned in data and wireless services from the United States and then deploying those," says Mark O'Gara, vice president for systems and technology of Winstar's international subsidiary, Winstar International. He says the company also has a trial underway in Buenos Aires, Argentina.

Other Latin American projects are surfacing. Rey Morena S.A. is installing LMDS technology in Bogota, Colombia. And an affiliate of BellSouth Corp. is conducting a quiet trial in Buenos Aires. Marketed under the Movicom-BellSouth brand by CRM S.A. of Buenos Aires, the trial has no announced end date. It is, however, trying to answer a pressing question: "Is this a viable technology for that last mile?" asks Kevin Doyle, a spokesman for BellSouth.

In Asia, Winstar has a joint marketing agreement with KDD Corp. of Japan. According to Winstar's O'Gara, his company

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will supply the LMDS expertise, while KDD strengthens in-country marketing muscle. Both companies hope to avoid the access fees Japanese telecommunications giant NTT Corp. charges for a wireline connection.

In Taiwan, a group of companies conducted a trial that concluded late last year at Zhongyang University in Taipei. In Hong Kong, Teligent not only has spectrum allocated, but is beginning actual deployment. This is being done in conjunction with local partners HKNet Co Ltd., an Internet-service provider, and CCT Telecom Holdings, a telecommunications company. This Teligent LMDS deployment is unusual, because it aims to attract both residential and business customers.

Teligent spokeswoman Shiela Blackwell says the key difference in Hong Kong is the layout of the city. Many residential customers in Hong Kong live in high-rise apartment buildings, making it economically viable to serve an entire structure with a single LMDS antenna.

Other carriers are considering tapping into the consumer market in various regions, but most deployments are aimed squarely at the lucrative business market.

Not only will businesses pay more for high-speed, symmetrical connections, but they also reside in some prime LMDS real estate. A business will often be located in a high-rise building, which makes it a key target of a line-of-sight technology, like LMDS. Just as importantly, however, a business is not likely to have direct access to a fiber optic cable for a high-speed data connection.

It is estimated that more than 95 percent of all buildings in both Canada and the U.S. do not have fiber access. As a result, notes Teligent's Blackwell, roughly two-thirds of all businesses in both countries are fiberless. And given the cost of installing fiber, the percentage isn't likely to change soon. That's an LMDS advantage.

In Canada, Maxlink Communications Inc. of Toronto has a nationwide network up and running, with customers in several of the country's major metropolitan areas. Joel Bell, president of Maxlink, says the network is not only point-to-multipoint, but it's also is the only one in the world to use fixed-wireless time-division multiple access (TDMA).

Because it's a point-to-multipoint network, the LMDS frequency can be shared among many end-users. Furthermore, the use of TDMA means that the frequency allocation per customer is not static. It can change as needs and requirements change, and that could have important benefits for LMDS operators and customers.

"That dynamic allocation of the bandwidth permits me to gain still further economies and deliver routine interfaces, such as 10 megabit Ethernet, to a multiplicity of customers off the same infrastructure, and permits us to deliver high bandwidth to smaller and smaller locations," says Bell.

Finally, in the U.S., Teligent and Winstar compete against each other, as well as against companies such as Nextlink Communications Inc. Nextlink holds the largest block of spectrum in the U.S., but the company has not announced plans to expand internationally.

Compared to alternative technologies, such as fiber, digital subscriber line, or cable, LMDS not only offers rapid deployment without having to dig up streets, but also cost savings in the future. Most of the equipment deployed to date is first- or second-generation gear, which means that there is still plenty of room for cost reduction. Furthermore, dynamic frequency allocation allows the costs to be shared almost throughout the entire network. Therefore, carriers believe that their infra-

Continued on Page 30

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LMDS,
Continued from Page 29

structure expense will decrease markedly over the next few years.

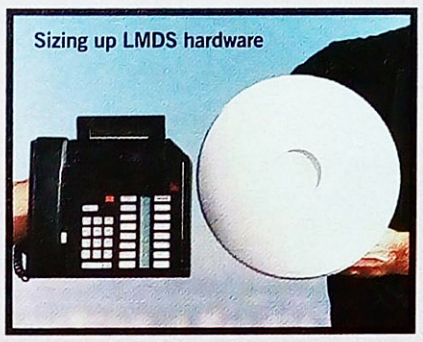
The focus on the business customer, however, doesn't come without a price. In order to compete with incumbent carriers, LMDS operators have to offer more than simple data services or Internet access. Maxlink, for example, not only functions as a carrier, but also as an application-service provider, supplying customers with Web-hosting services, extranets, virtual private networks, and other applications.

The mix of services could become more important than the technology. Teligent's Blackwell reports that her company has seen customers in fibered locations select LMDS service partly because of the extra services and benefits it offers. Other carriers report similar experiences. Therefore, in the end, it may not be the transport medium that's important, but rather the business message. ■

The ABC's of LMDS

LMDS is known by various names in different parts of the world. Despite this difference in nomenclature, the technology has a common implementation: It's a line-of-sight, millimeter-wavelength radio technology that uses office-phone-sized fixed antennas at the customer's site.

Because it's a line-of-sight transmission system, the receiving and transmitting antennas are typically perched on top of tall buildings. The antennas communicate with local hubs, or base stations, that are spaced at regular intervals, typically between 1.2 miles to 3.6 miles (2 kilometers to 6 kilometers). The hubs are connected to each other and the rest of the network by high-speed links. The network can be configured as a point-to-point connection or in a point-to-multipoint arrangement. In the former, each connection is a fixed, two-way network. In the second, each hub can connect to multiple sites simultaneously.


Sizing up LMDS hardware

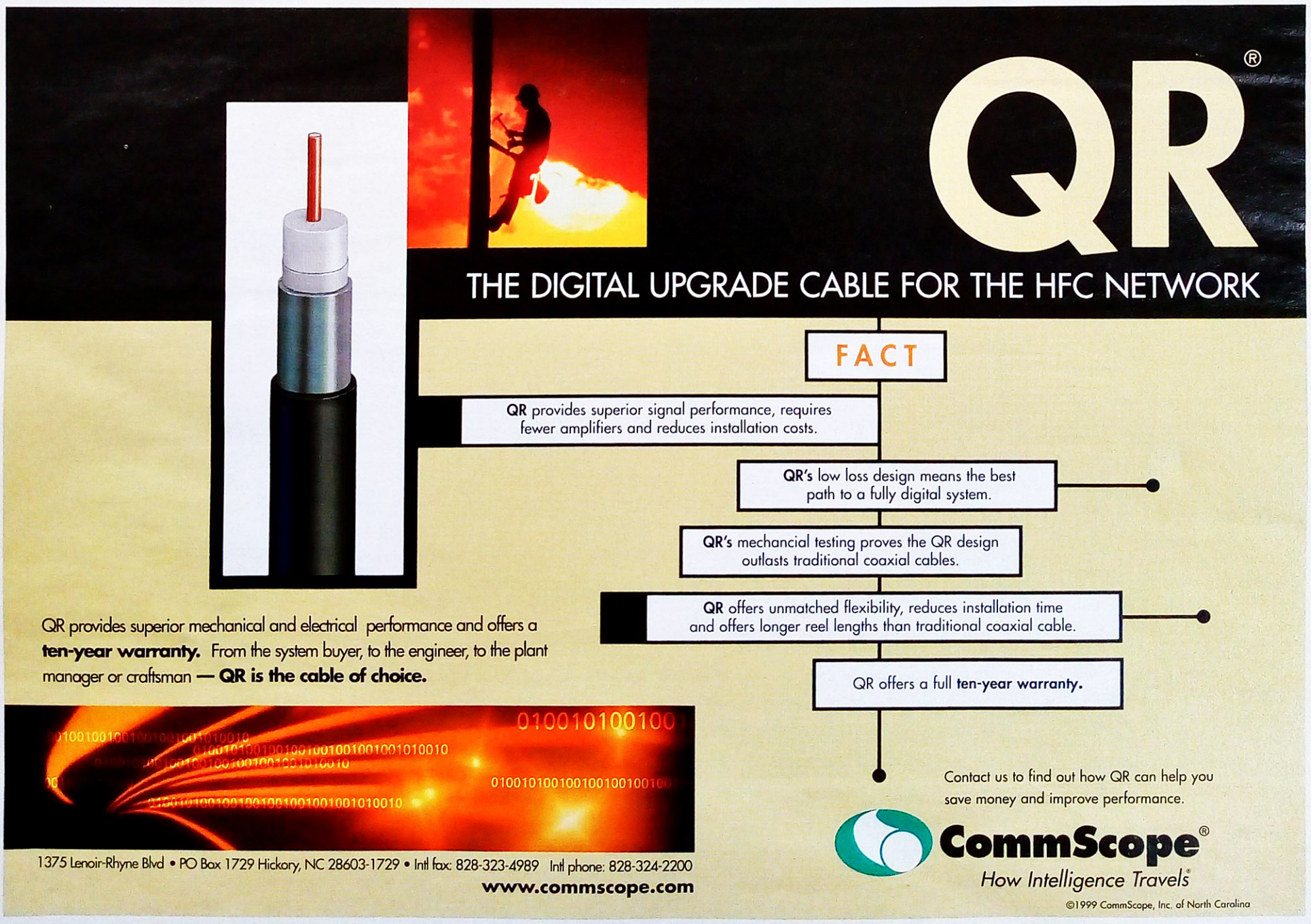
"If you think about it, it's a satellite technology applied to a terrestrial environment. So you now provide coverage from a base station perspective to a geographical area," says Mark O'Gara, vice president of systems and technology at LMDS carrier Winstar International.

Thanks to a generous bandwidth allocation of hundreds of megahertz, data is transmitted in both directions at a maximum speed of 155 megabits per second. That means LMDS can offer data rates that neither DSL nor cable modems can touch. "So, 10-, 20-, 40-megabits per building is the market niche for LMDS," says Keary Cannon, assistant vice president for the wireless network division of Hughes Network Systems, which manufactures LMDS gear.

In the United States, Venezuela, France, and the Philippines, the technology is known as LMDS and uses spectrum around 28 gigahertz (GHz). The amount of spectrum varies, ranging from 850 megahertz up to 2,000 MHz. In Canada, Argentina, and Romania, it's known as local multipoint communication system, or LMCS, and sits near 28 GHz. Again the amount of spectrum varies, ranging from adjacent 500 MHz bands up to 1,000 MHz.

Then there's the multipoint-video-distribution system, or MVDS, which uses 1 GHz to 2 GHz chunks of frequencies around 41 GHz in Europe, and around 38 GHz in Argentina. Korea has it's own system, known as broadband-wireless local loop, or B-WLL, which includes frequencies from 24 GHz to 42 GHz in bands that are up to 1200 MHz wide.

— Hank Hogan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Around The World

ASIA

Mindport Solutions, the technology subsidiary of MIH Ltd., struck a deal with Hong Kong-based broadcaster Television Broadcasts Ltd. to provide three satellite-broadcasting platforms to transmit TVB's multichannel Chinese-language programming to consumers in the Asia-Pacific region and the United States. Two platforms will be based in Hong Kong; the third will be located in Los Angeles.

i-Cable Communications Ltd., a subsidiary of Wharf Holdings Ltd., won a fixed-telecommunication-network services (FTNS) license, paving the way for the company to launch broadband services, including high-speed data via cable modems, later this year.

EUROPE

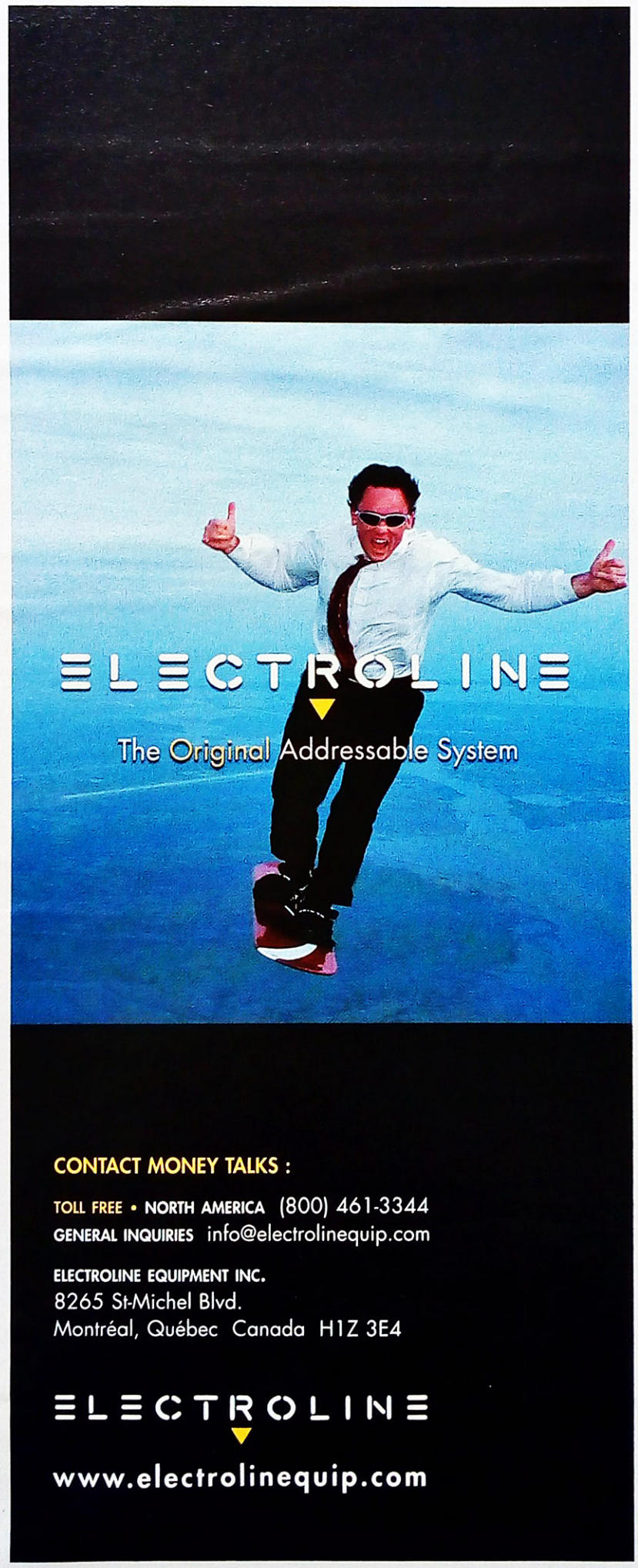
Telewest Communications plc has selected Harmonic Inc.'s open-standards broadband-delivery system for the MSO's planned video-on-demand (VOD) trial in the U.K. Telewest initially will offer the service early this year to roughly 300,000 homes, marking the world's largest rollout of standards-based VOD service, the company said.

Gemstar International Group Ltd. and Thomson Multimedia have entered into a long-term pact to offer electronic program guides (EPGs) in Europe starting 2001. Under terms of the deal, Thomson will license Gemstar's EPG technology, and both companies will collaborate in launching the EPG in Thomson televisions. Mirroring their strategy in the United States, the companies also will pursue interactive-advertising opportunities in Europe based on Gemstar's EPG.

NORTH AMERICA

Shaw Communications Inc., which provides cable services to approximately 1.8 million customers in Canada, said it plans to deploy Liberate Technologies' standards-based, interactive television software via legacy DCT-2000 and future DCT-5000 digital set tops beginning the second half of 2000. In a separate deal, Canada's Rogers Cable agreed to license Liberate's TV Navigator client software and the Liberate Connect server software. The Liberate TV Navigator client software allows network operators to offer applications that integrate Web-based interactivity with TV-based content.

Le Groupe Vidéotron Ltee., Canada's third-largest cable operator which has agreed to be bought by Rogers Communications Inc., won regulatory approval to offer local residential phone service this summer.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BROADBAND INTERNATIONAL

Self-Provisioning Considerations Critical to Success

Mass Deployments Make Plug-and-Play Modem Installations Mandatory

BY MICHAEL LAFFERTY

The predictions are almost numbing. One research firm says 26 million households around the world will have some sort of broadband-Internet connection by 2003. Another report predicts the number of homes passed by cable systems offering high-speed cable Internet services will grow to 39 million this year and to more than 67 million by 2005.

In North America, cable-modem revenues will account for 40 percent to 50 percent of all cable revenues by 2004, according to industry estimates. Worldwide, another study estimates that between 1998 and 2003 there will be nearly $US17 billion in cumulative cable-modem-service revenues, and nearly 20 million global cable-modem users by 2003.

Anyway you cut it, that means millions of modem installations will have to occur over the next three to four years. And, if recent experience is any indication, today's method of hooking up customers has to be automated and simplified. If the scale of pending cable-modem deployments is combined with current installation costs, many operators could be going broke by 2004.

"Today, what typically happens is that a cable operator will roll a truck to the consumer location. That's typically a two-person team," says Kip McClanahan, president and CEO of self-provisioning software company BroadJump. "One is your RF technician, who goes out to make sure that the signal level is accurate and installs any filters if necessary."

He continues: "Then there's a PC technician, who's responsible for installing new software, configuring the PC and the TCP/IP stack, installing applications, setting up e-mail accounts, etc. That tech is getting the service itself configured, apart from the network."

In the two-installer situation, the PC tech may have to wait on the RF tech to get everything working, and then he can do his job. In cases like that, it can easily take an hour or hour-and-a-half, he adds.

McClanahan says operators soon realize the cost and the time lost with a two-man install increases, while profits get whittled down quickly. Unfortunately, one solution, he says, often creates a more vexing problem.

"When operators see that time and costs are having a noticeable impact on their profitability, they'll break an install into two separate truck rolls. Then the customer ends up having to wait around for two different appointments. It facilitates the operator's ability to schedule trucks a little bit better. But it's a bad user experience."

In today's increasingly competitive landscape, it's that "bad user experience" that operators are trying to avoid at all costs. With competitors coming out of the Ethernet, cable operators can't afford the churn rates dial-up Internet service providers (ISPs) often suffer because of bad service or little or no brand loyalty.

Most dial-up ISPs are essentially transparent to subscribers as they connect to the Internet. This in itself defeats brand recognition, let alone brand loyalty. As a result, dial-up ISPs end up competing primarily on price. Given those two factors, 40 percent of users on average switch ISPs as soon as free trial periods end, according to some estimates.

To secure customer loyalty and reduce the truck-roll costs of modem installations, operators are realizing that a good customer experience will have to begin with a positive self-provisioning experience. In effect, says Jeffrey Campbell, chief technical officer at broadband-provisioning-system developer Core Networks Inc., the much-touted "plug-and-play" scenario of retail cable modems isn't going to happen until operators drop their traditional laissez faire approach to signing up new customers.

"Out of the gate, the cable world has always been good at balancing what it actually can do as opposed to what it has to do to keep customers happy. In the early one-way video years, there was always a trade-off between the two," he says. "When you're going into ISP services, you've got to keep in mind that it isn't good enough just to get subs on now and think you can make it better down the road. It doesn't work that way anymore. Expectations are high. Most of the people, especially your early adopters, aren't new to the Internet. So, they expect at least the level of reliability and consistency that a good dial-up account will give them. And they expect a certain level of support and availability of services as soon as they sign up."

The sheer volume of the deployments to come over the next few years is putting pressure on operators and vendors alike to speed up and simplify the provisioning process.

When a company looks at a provisioning system, it should examine not only how it signs on subscribers, but also how to monitor them, how to sell them additional products and how to provide customer care, he adds.

While some provisioning providers are currently concentrating their marketing efforts on North America, others are already working abroad or making plans to do so. "One of the main issues we dealt with was having our interface available in other languages," says Core Networks' Campbell. "We were sensitive to this issue from day one and designed all of our interface components outboard of our main code base so that we can easily create Spanish, French, German, Dutch, and other versions of the interface, while utilizing the same engine. In fact, people can use our system in multiple languages at the same time."

Frank Fawzi, president and CEO at CommTech Corp., a manufacturer of provisioning software, says some European operators are already incorporating the flexibility of today's provisioning solutions into other services. "We're seeing a lot of growth right now in Europe for cable-telephony offerings," he says. "We have a customer right now who turned up service about nine months ago." The company is also working with additional customers in Europe through some of its partners.

On the telephony side, companies like his are "supporting a different set of standards there," he adds. "We've had to build those into our product offering. Companies that are looking to go into international markets ought to be looking at vendors that have made that commitment to support the variety of switch interfaces that are in Europe and the rest of the world."

Operators in the market for a provisioning solution, no matter where they're located, face a number of issues. Since most operators have some legacy systems already in place — including billing systems, workforce management or trouble-ticketing systems — they are hesitant to rip those out and start all over. Therefore, the ability of a provisioning system to "talk" to other established systems is imperative.

"In order to facilitate self-provisioning or subscriber self-activation, operators should look at the openness of any provisioning system or solution. Interoperability is the key. That's because the interfaces to a customer-care system to add service or another system to check availability have to be there when a subscriber signs up." says Ragan Wilkinson, vice president of broadband business development at AP Engines Inc., a provisioning-mediation provider.

Many larger operators are struggling with their legacy customer-care and billing systems that aren't designed to be open. As a result, "you can have a very disjointed situation," Wilkinson says. "You may have people signing up for service, but you're doing something like a 'sneakernet,' or people are receiving e-mails or some other type of manual form and having to re-enter the registration information." By "sneakernet," he's referring to physically carrying tape,

Continued on Page 35

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iCraveTV,

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nesspeople. In fact, the only reason the MPAA was able to take down iCraveTV.com is because company president and CEO William Craig, a former general manager of Fox Sports Net Pittsburgh, operated openly. Experts say that had Craig hidden the source of his rebroadcasts — perhaps by burying access to his streams amid a network of mirrored Web sites — the MPAA may not have been able to even e-mail him, let alone sue him into silence.

As a result, the threat of Web piracy looms over the cable-TV industry — and it may be exposed more now than ever, given the publicity iCraveTV generated. Craig's company simply pointed out how easily content can be intercepted and distributed over the Web. Now that the vulnerability has been exposed, questions about prevention — especially for pay-per-view and special events — are coming to the fore. PPV programming, namely sports, often consists of one-time, limited-duration events. Moreover, they usually take place at night, when copyright holders are out of the office. Those factors provide a good stage for a lightning-strike, pirate Webcast.

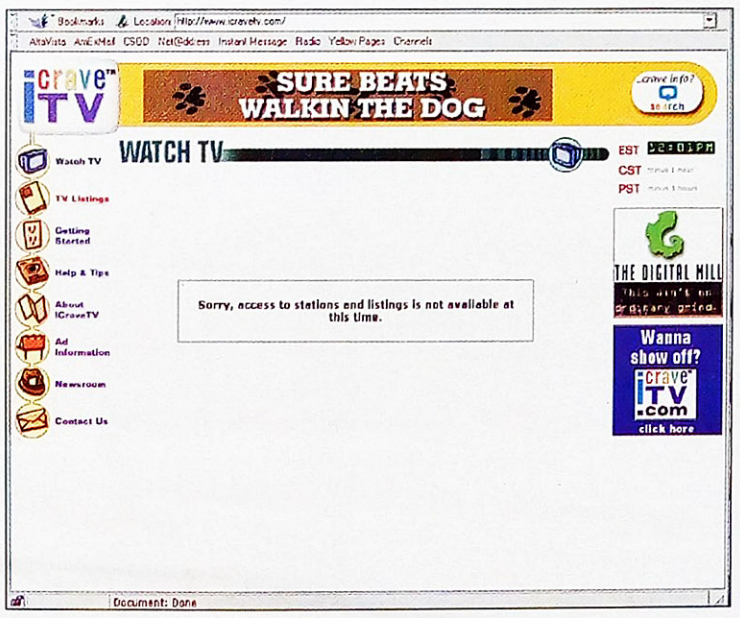
By the time a copyright holder learns of an event having been pirated, the program has ended. Worse yet, even if the copyright holder manages to catch the pirated broadcast when it begins, there's no guarantee it can be shut down. After all, hackers typically operate by communicating through a chain of Web sites. By the time the programmer has backtracked through all of the pirate's connections, the event likely will have concluded.

To make matters worse, it's not that difficult to pirate programming, says Geoff Martin, editor of *Toronto Computes!* magazine. For instance, all iCraveTV had to do was install outdoor-TV antennas, route the incoming broadcast signals to servers, and stream the programming directly onto the Web. There's no reason one couldn't do this with a decoded PPV signal.

And the threat to PPV? "Wrestling events are one of the biggest events on pay-per-view," Martin notes. "The main audience for wrestling events happens to be 17-year-old boys. They also happen to be the most common demographic for hackers." As a result of this combination, Martin says he sees wrestling PPV specials as natural targets for pirates. In fact, he says "it might not be too long before we start seeing them on the Web."

Eugene Lew, vice-president of product engineering and advanced technology at broadband-Internet service Road Runner, doesn't deny Martin's doomsday scenario. However, he says there's a limit to how much damage pirates can do, because of the present and future structure of the Internet.

In today's Internet, piracy is limited because most people can only receive "unicast" video streams, says Lew. In other words, each user has to have his own dedicated stream. This automatically limits viewership, he explains, "because the server can only serve up so many streams simultaneously."



A series of lawsuits helped pull iCraveTV.com "off the air"

But in tomorrow's Internet — one that is already being deployed — unicasting will be replaced by multicasting. Web sites will be able to "broadcast" single streams to millions of users. This will eliminate the traffic tie-ups that, for instance, choked access to last year's highly touted Webcast by U.S.-based lingerie retailer Victoria's Secret.

However, multicasting won't mean pirates "can hit everyone in the Internet world," Lew says. That's because Road Runner and other service providers are building security features into their multicast networks to prevent video transmissions from occurring "without our approval," Lew says.

Ironically, the entertainment industry's obsession with beating back piracy — one which spurred its vehement attack on iCraveTV — may be blinding it to what some are calling a new, and very real, business opportunity.

So says Brian Kenner, co-founder and chief technical officer of Intervu Inc., the Web company that streams video for Cable News Network, NBC, MSNBC, Bloomberg Television, Universal Studios and Turner Broadcasting System Inc. According to Kenner, Webcasting offers "the ability to cost-effectively reach other markets that couldn't be tapped before. That's why he says he's "sad" about the iCraveTV fiasco, because he sees it as a missed opportunity for broadcasters and content providers alike.

To be sure, there are other streaming-video sites that are making both groups happy.

A case in point: video-streaming company MicroCast Inc. is working with Showtime Networks, Studios USA, and New York broadcast station WPIX-TV to develop Webcasts related to — but not duplicating — their regular programming. These may manifest themselves as complementary "peeks" behind the scenes, including "going into a green room for one of the more popular talk shows," says Larry Schatz, MicroCast's vice president of programming.

In this scenario, MicroCast could insert short commercials in the Webcasts, customized to the viewer's specific demographics. The ad revenues would then be split between MicroCast and its clients. Meanwhile, cable-TV operators could benefit indirectly, because MicroCast's Webcasts may drive people back to their TVs, rather than away from them. This carrot-and-stick approach of enhanced MicroCast streaming, plus careful multicast network management, might help stave off Web-based piracy of cable TV broadcasts.

Yet piracy will remain a concern for cable operators around the world, as hackers of all types lurk behind the scenes. But, if cable-TV operators and program providers remain vigilant, they may just hold them at bay. ■

Future of a Digital Continent

About a third of all European homes will receive digital television by 2003, making the continent a hotbed for multi-platform services ranging from Internet access to electronic commerce, according to a recent study by Internet research firm Jupiter Communications Inc.

The proliferation of digital TV — which Jupiter forecasts will reach almost 51 million European homes in 2003 — could create opportunities for companies to interact directly with consumers in their homes, the firm says. However, Jupiter adds, companies looking to take advantage of digital TV must also be agile enough to react to changing consumer behavior in the new environment.

"With the anticipated penetration of iDTV [interactive-digital television], the PC will no longer be the sole channel for interactive products and services for European consumers," Jupiter reports. "Online users will access the Internet and shop on iDTV, as well as on other interactive devices ... but they will use the devices in different ways, making the platforms complementary, not competitive."

At the same time, Jupiter notes that interactive-digital TV services are being introduced slowly, and that not all digital content will include compelling interactive services in the short term.

DTV Penetration 2003

U.K.	52%
Denmark	41%
Germany	40%
Sweden	35%
Norway	33%
Spain	30%
France	29%
Finland	28%
Netherlands	26%
Italy	13%
Total Western Europe	**33%**

Source: Jupiter Communications

DTV Households 2003

Germany	15.1
U.K.	12.3
France	6.7
Spain	3.6
Italy	2.7
Netherlands	1.8
Sweden	1.5
Denmark	1.0
Finland	0.6
Norway	0.6
Total Western Europe	**50.8**

Note: In millions
Data includes digital cable, satellite and terrestrial households.

Provisioning,
Continued from Page 32

disks, or some other media from one machine to another in order to transfer data.

AP Engines director of product marketing Mark Heslop points out that a good provisioning system will allow operators to audit the process itself. "

Another key is wrapping all of these provisioning activities around a transaction-type approach. If some kind of failure occurs with one of the systems part way through setting up the service, you need to be able to do an audit on the provisioning service itself," he says.

Technicians must figure out if the whole transaction started and ended properly, and wrap the whole process up into a transaction that has a series of assigned events associated with it, he says. "The transaction is not completed until all of the events have occurred. That's what really brings it to conclusion and allows the service to come up."

Anything less, Heslop believes, is unacceptable in today's market. Otherwise, clients can end up "half-provisioned." That's when they may have Internet access, but their e-mail accounts have gotten lost. When that happens, he says, "the customer experience is the first casualty."

As the size of these high-speed networks grows, scalability and access authentication become important as well.

"We think scaling is really a key consideration," says Bruce Van Nice, director of technical marketing for subscriber-management system developer Redback Networks Inc. "Today, in some instances, the data networks are fairly large [and] everyone already recognizes they're going to get considerably larger. It's fair to say that scaling has to be a particular point of emphasis for operators. They don't want a solution that runs out of gas in a couple of years. That's a critical consideration."

A cable operator also has to provide some sort of mechanism to secure authenticated access to the network. "Today, these networks tend to be built like large LANs.

But as the networks grow and as the list of services that subs can get access to grows, there's going to be more and more of a requirement for some way to provide secure access to these networks," Van Nice says.

While providing high-speed access to subscribers has its own rewards, effective provisioning solutions need to provide operators with a certain type of increased speed and flexibility itself. "It's really an issue of time-to-market," says CommTech's Fawzi. "If you're not careful, your deployment or rollout cycle could be longer than the life span of a new service.

"One of the key parts of this new paradigm of getting to market quickly and being able to modify your services literally on the fly, is the capacity to customize the solution in real time with little or no programming or recoding," he adds. "This can include taking a new or existing service and modifying it slightly or even significantly, or it can be simply adding new operational-support systems or new network elements. You have to be able to do that without jeopardizing the whole system."

Whether it's high-speed data, telephony or whatever new service is about to break on the broadband horizon, the sheer volume of the deployments to come over the next few years is putting a lot of pressure on operators and vendors alike to speed up and simplify the provisioning process. And while no two systems are exactly alike, with a little research and by asking the right questions, operators have a good chance to finding a provisioning system that will work just for them. ■

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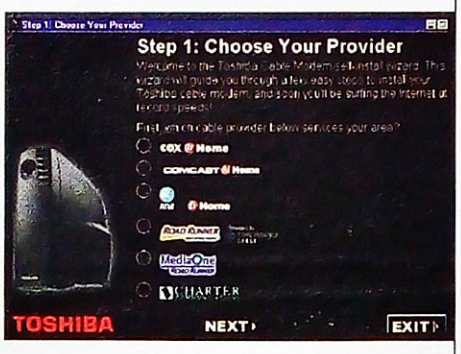
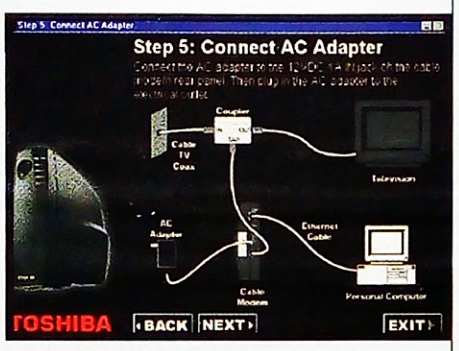
New Products

Modem self-installs

Toshiba America Information Systems Inc.'s network products division has introduced new self-installation software with support for auto-provisioning for the PCX-1000 and PCX-1100 cable modems. The software, which manages cable-modem installation from the subscriber site, also supports provisioning, enabling subscribers to quickly and easily install, configure and connect cable modems for immediate Internet access.

The self-installation software guides the subscriber in installing the hardware, auto-configures the network connection and verifies communication with the cable operator's headend equipment.





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Fusion splicer

Alcoa Fujikura Ltd. has introduced its new FSM-40S fusion splicer, a mini-profile-alignment system splicer in a "field-friendly" highly portable package. Compared with the company's previous PAS model, the new splicer features a 30 percent reduction in size and a 42 percent increase in speed. In addition, the unit has an 18-second splice time.

The splicer features a modular power system, allowing for use with an optional nickel metal hydride battery pack, suited for outdoor splicing. Ergonomic improvements allow the splicer to be used in difficult aerial taut-sheath splicing conditions requiring proper work flow and minimal fiber slack.

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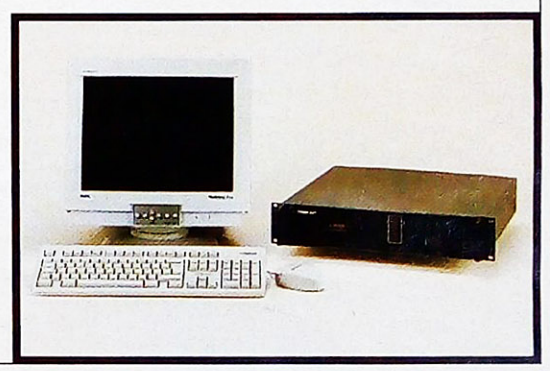
Web site: www.aflfiber.com/fsm-40s

Processing platform

Thomcast Communications Inc. has introduced its amber stream-processing family for the cable and broadcasting industries. Amber supports remultiplexing of multiple input streams to create new, customized services. The amber stream-processing unit can input up to eight input transport streams, with a payload bit rate of up to 50 Mbps each. The remultiplexer creates a fully MPEG-2- DVB- or ATSC-compliant output multiplex, and has the ability to scramble the output services, using flexible, proprietary solutions. Amber is based on Thomcast's TransMux technology, which features an integrated remultiplexing architecture built around a dedicated ASIC. It features an Ethernet connection to a configuration/supervision station, or to a data or Internet-protocol server for the insertion of data into the remaining bandwidth.



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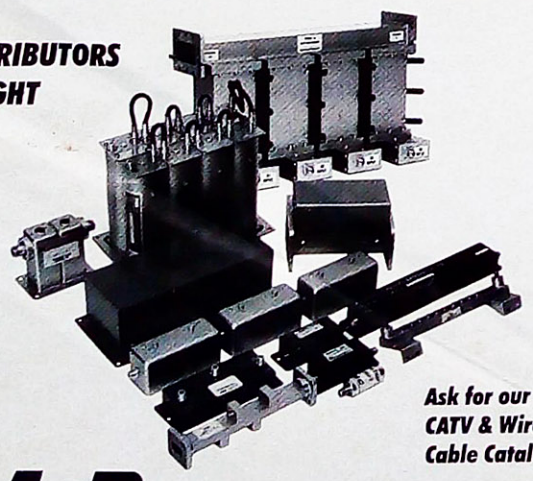

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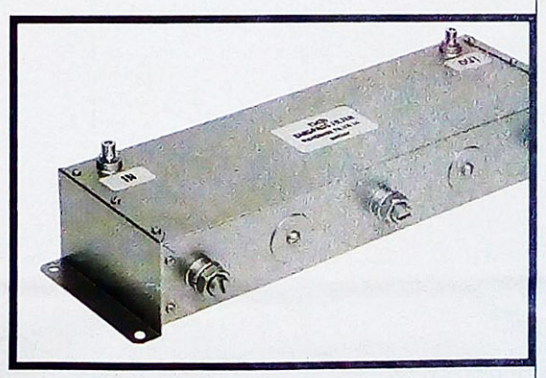
Bandpass filter

Microwave Filter Co. Inc. has introduced its model 13430 bandpass filter, designed for enhancing test measurements in cable system applications.

This model eliminates out-of-band signals from the input of a spectrum analyzer, allowing "clean" measurement of the data portion of a cable system's "transmit" signal.

The unit has a passband from 640MHz to 660 MHz and an insertion loss that is typically less than 1 dB. The group delay over the passband is less than 20 ns. A minimum of 40 dB rejection is achieved from 0.3-550 MHz and from 750-1000 MHz. Impedance is 75 ohms, with type F (female) connectors.



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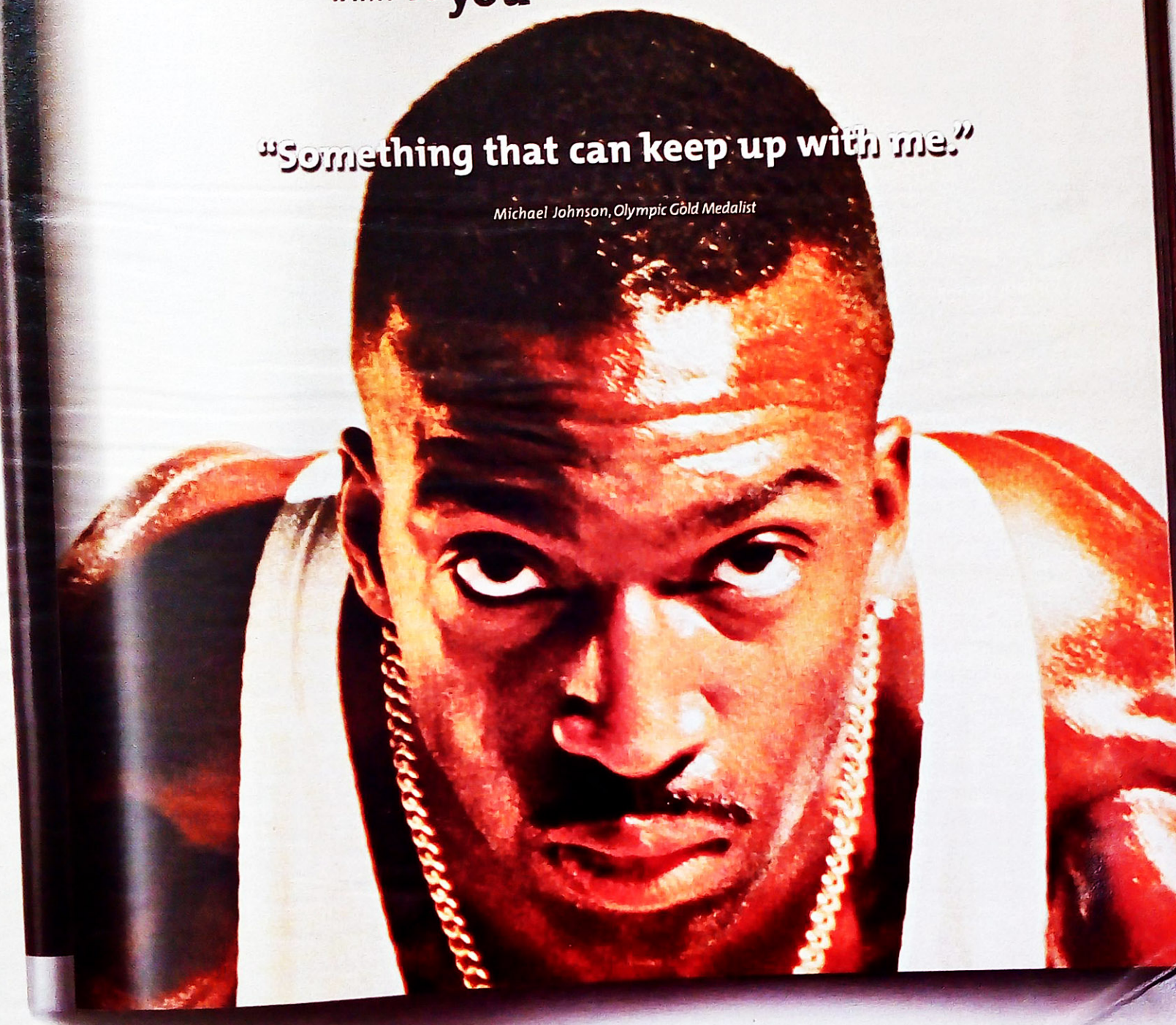

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Mideast,

Continued from Page 21

that's an expensive proposition. ART's general manager, Usama Al Sheikh, admits that the company's struggle over the past five years to make pay TV work was costing the platform close to half a million dollars a day. That's real cash for anybody. The losses in 1999 were such that chairman Sheikh Saleh Kamel at one point considered turning his back on pay TV altogether.

Kamel has spent a substantial fortune solely on acquiring top sports events and ploughed millions into fresh programming. Viewers signed up only to a limited extent, although there are definite signs that he is beginning to win the battle. In 1999, for example, there were near riots in Cairo when a soccer tournament final caused a run on set-top boxes, which were selling at a peak of 5,000 a day.

Nevertheless, Kamel is not letting up for one instant. His latest venture is a brand new, custom-built suite of four studios and matching administrative facilities barely a half-mile from Egypt's famous Giza pyramids. He intends to use the studios for drama — all Arabs love "the drama" — and variety and audience-participation shows. ART has a 10-studio complex in Italy, near Rome, but it is now considered too far from ART's core audience and talent base.

Kamal has trimmed where necessary. Out are the grandiose plans for new niche channels. In their place has come a greater concentration on his five established ART channels: movies, variety, kids, sport and music. Interestingly, Kamel is seeing considerable success in selling channels overseas. His Arabesque export bouquet, which includes Al Jazeera, an Arabic all-news channel based in Qatar, has more than 60,000 subscribers in North America and a similar number spread around the rest of the world.

The Mideast's oldest DTH player is the 15-channel Orbit bouquet from Orbit Communications Co. (Italia) SpA, which launched in 1994. Its CEO, Alexander Zilo, is in the middle of nailing down some important changes. First, the platform will move to Arabsat 3A, the undisputed "hot bird" for the region. Second, Orbit implemented a dramatic price restructuring last fall, offering an all-inclusive $US59-a-month subscription price, nearly a 50 percent reduction on the old rates.

Zilo also promises that a new MPEG-2 Digital-Video Broadcasting set-top box will be introduced this year. It could also — if Orbit decides on a simulcrypt agreement with Mindport's Irdeto encryption system — receive free-to-air channels from Arabsat. However, the word on the street is that Orbit is leaning toward Canal Plus S.A.'s MediaGuard/MediaHighway encryption system.

In addition, the Orbit changes include a more intense shift back to Orbit's geographic roots. Zilo plans an administrative relocation from Rome to Bahrain, plus a further boosting of local production in Cairo and elsewhere in the region.

Zilo reports that Orbit began to break even a little more than a year ago, although he admits last year was a tough one. This year promises to be better, with pay-per-view movies promised. The DVB-compliant box will also allow Orbit to supply interactive and other revenue-generating services. Orbit claims 420,000 so-called "viewing points" — its term for a combination of subscribers and individual hotel rooms — a figure considered high by some industry insiders.

Orbit also has an Arabsat stable mate, Star Select, a bouquet especially tailored for the Mideast by News Corp.'s Hong Kong-based Star TV. Star's bundle of channels sits neatly alongside Orbit's, and the pair complement one another, with Star's channels appealing particularly to the large number of Asian expatriates in the lower Gulf.

No matter how many viewing points are attracted to platforms targeting niche communities or more broad-based audiences in the Middle East, the actual number of viewers paying for their TV programming is minuscule compared with the huge number of TV households. That's not to say Orbit, Showtime, Star, and maybe even ART, can't make operating profits for their respective masters. In time, and with good housekeeping, they will.

In other words, the real — and, some might say, only — winners since the Gulf War have been the panregional free-to-air TV channels that have emerged. These new offerings, some pure entertainment, others more focused in their appeal, are cleaning up. Indeed, panregional satellite-based advertising has grown fivefold in the past five years, to almost $US400 million from $US75 million, dwarfing the subscription income of the platforms.

Determined to get its hands on a larger slice of the growing ad expenditures is Dubai, the oil-rich Emirate in the Arabian Gulf. It may have a population of less than 1 million, but its satellite penetration stands at an impressive 75 percent. It is already home to Emirates Dubai TV (EDTV), a government-backed channel that was not only the Arabic region's first satellite channel, but also the first Arabic-language service to be exported into Europe and North America.

A new clutch of unencryptyed digital channels has sprung from the hip of EDTV. Dubai launched a sports channel last fall, an English-language business-news channel in December, and a drama channel. "We now have more than 6,000 hours of drama [in the archive], all of which have been transmitted by us and the other Arab stations, and we are still adding to it," reports Riyad al Shuabi, who supervises all of the new channels and EDTV.

In addition to that group of services, Dubai also has an established English-language, general-interest channel that is also about to go on satellite.

Barely 100 miles up the coast is the United Arab Emirates capital city of Abu Dhabi, which earlier last year put its own sports channel on the air and has a pair of local channels. Twenty miles in the other direction is Ajman, another tiny Emirate and — you guessed it — another satellite-TV channel. Just up the road is Sharjah and its TV channel. They're all government-backed and all unencrypted, slugging it out for advertising.

They've all targeted a tiny region with just 376,000 TV households, and more channels are promised. Shuabi says Dubai is not going to rest. "There will be two new private channels on satellite," he says. "They will be completely different than anything already transmitted by Dubai TV. I will be involved in these two private channels as one of the investors."

Meanwhile, across town is the former program director of EDTV, Nasib Bitar, who is also backing a handful of new channels.

Their financial cheerfulness comes from a growing optimism that advertising spending will grow. Shuabi's plans also assume an ever-increasing TV audience, from expanding distribution systems like the Qatar-focused wireless-cable service Q-Tels to plenty of other plans across the region for digital terrestrial and cable expansion.

NileSat's digital playout center in Cairo

In 1999, there were near riots in Cairo when a soccer tournament final caused a run on set-top boxes, which were selling at a peak of 5,000 a day.

Entrepreneurs in other Arab nations are following the same line of thought. Qatar is already financing Al Jazeera, a 24-hour news channel, which routinely leads in the ratings. Its success has given Qatar the scope to plan two more channels, one covering business news and the other for documentaries, according to Al Jazeera CEO Mohammed Jasim Al-Ali.

Egypt, the Arab world's most populous country, has its own satellite-delivered, 24-hour news channel, Nile News. And not to be outdone, NBN, a news channel based in Beirut, started transmissions in late December.

Some might ask about CNN's plans for an Arabic-language version, especially now that the network has begun cloning local language versions of itself in Turkey, Spain and elsewhere. Ciccone insists that "CNNI is definitely not second fiddle here. Without reservation, I can tell you that CNNI in the Middle East has the highest viewership of CNN anywhere in the world."

Ciccone admits that CNN is constantly pressured to add greater Arab-language localization, and is studying the concept of adding an Arabic service. "We long ago decided that when we do this, we will do it right. The Middle East, given its religious and cultural conservatism, makes such a project an extremely sensitive exercise, and it has to be handled accordingly," Ciccone says, declining to put any timetable on his Arabic plans.

With a seemingly endless supply of new channels, CNN is not the only programmer to face pressure. Few of the established free-to-air channels are standing idly by. EDTV, for example, undertook a major on-screen revamp last year. Another established programmer under the gun is Middle East Broadcasting Centre (MBC), which has generally been considered the leader of the Arabic market for much of the past eight years.

MBC considers itself a full-network channel, appealing to the whole family with a lively mixture of entertainment, sports, movies, kids and news programming. In particular, it treasures its news, and is widely praised for its impartiality.

The news output is undergoing a radical overhaul, under the direction of its new head of news, Steve Clark. His role, he says, is to regain its once dominant position in news.

"There are stations out there that have won a reputation by being provocative rather than objective. And while we want to extend our news coverage, we do not want to lose our objectivity," he says, adding that he plans to boost the number of hours available to documentary and current affairs discussion and thereby compete more directly for quality viewers.

The lesson for MBC seems to be one of maturity, of recognizing its strengths and bolstering what may be weaknesses. Competition among the free-to-air entertainment channels is now such that viewers expect excellence at all levels.

The genie is out of the bottle. The Western models of ad-supported, free-to-air channels are well understood by Middle East viewers. While Showtime, Orbit, ART and other regional platforms all remain optimistic about their prospects as subscription services, the land rush now is moving in a different direction. ■

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BLIPS ON THE SCREEN

Australia,
Continued from Page 6

Olympic Stadium. His decision came just nine months before he was set to play host to one of the world's biggest sporting events.

Chapman now reports to Lachance and heads up Optus@Home, the telco's joint venture with Excite@Home Corp. that aims to deliver broadband-Internet services to a potential market of more than 2.5 million Australians.

With a mere four months on the job, Strong is more of an unknown quantity Down Under. But she's game for big challenges, and says the chance to take a "leading management role with a company at the cutting edge of communications in an industry that's about to explode" convinced her to jump the client fence from Boston-based Mercer Consulting Group.

NO FOREIGN FACTOR

"It was more of a decision to leave consulting and the U.S., which wasn't difficult," says Strong. "And with the Internet increasingly becoming a global business, I didn't view coming to Australia really as coming to a foreign country."

Strong is currently putting the finishing touches on Austar's assault on the local broadband market. In addition to providing digital pay TV services to some 300,000 homes nationwide, Austar will offer high-speed Internet access with chello broadband — which, like Austar, is an offspring of systems giant UnitedGlobalCom Inc.

Strong says that one of her biggest tasks is convincing the average household to spend their money on subscription fees that will come on top of their pay TV and phone bills. "It has nothing to do with the advancement of networks, but the marketing. Broadband, even the Internet, is not yet a 'have to have' in the home here," she notes.

By comparison, Lachance has more hands-on experience as a seasoned cable and telco executive. She comes to Australia after stints Stateside with Turner Broadcasting System Inc. and Bell South Corp., which used to own a piece of Optus.

Lachance's reputation in the U.S. industry was cemented when she set up Bell South's dial-up Internet service BellSouth.net, which she launched and built to 500,000 customers in six months.

LARGER CHALLENGE

She has a little way to go to equal her record, with Optus' Internet roster at around 130,000 dial-up customers. The bigger chance for Lachance is Optus' state-of-the art broadband network, which currently carries pay TV and local-phone services to about 220,000 homes. She aims to make it the "laboratory" that will show the rest of the world how broadband is done.

Lachance is certainly no stranger to laboratory experiments. As one story goes, when she left Turner to join Bell South, she thought the best way to learn about the Internet was to construct her own home page. Several years later, that page has become a Lachance family history and currently serves as a testing ground for Optus' high-speed content.

Lachance agrees with Strong's evaluation of the Australian broadband business as one that's about to explode. But while Strong says Australia is on the cusp of an Internet boom, Lachance narrows Australia's positioning further. She opines that the country is on the edge of the electronic-commerce revolution. Australia will embrace e-commerce more quickly than the U.S., she believes, as the Australian market is geographically less fragmented.

Whatever booms or explosions occur in the broadband business, it's clear these two strangers will provide much of the spark that ignites them. ■

Canada,
Continued from Page 6

tapes for $C20 ($US14) apiece. Promoted with the tag line "You've seen it on TV — now you can ... uh, see it on TV again!" Shaw has sold more than 400 tapes so far, and donated $C6,000 ($US4,164) of the proceeds to charity. Moreover, the company has received favorable press not just in Canada, but around the world.

Of course, all this silliness begs a question: Could there actually be a market for "The Presto Log Channel," as Shaw Cablesystems president Peter Bissonette laughingly calls it? Yes, he replies. After all, channels dedicated to such semi-inanimate objects as fish bowls and eagle nests are the stuff of cable lore in some markets like the United States.

And research shows that some people like to watch logs, fish, and even live location shots, according to Bissonette. "Web cams are a demonstration of that," he says. In fact, an official at German broadcaster Orddeutscher Rudfunk Brandenburg says some 10,000 viewers tune into its nightly telecast of an aquarium, and "the feedback is very positive." The channel aired the show for 4,306 minutes last year, or an average of 11.5 minutes a day.

Still, there has to be a limit to the popularity of any log or fish in the tank. "We consider bandwidth [to be] a very valuable thing," says Victoria Glazar, a spokeswoman for U.S. MSO Comcast Cable. Before Comcast would ever go live with logs, "we would conduct very extensive research." ■

Quiero Televisión,
Continued from Page 6

ty-driven channel based on the red-hot show from The Netherland's Endemol that throws a group of people into a house, and monitors their actions. And while the show's format is spreading across the world, Natalicchio says Quiero Televisión effort "will be the first channel in the world broadcasting what happens to six people living in a house ... 24 hours a day."

At NATPE as well, the cherub-faced Natalicchio raised his eyes to the ceiling of the Big Easy gastronomic mecca The Grill Room, when grilled himself on the subject of how quickly he'd need to move. But there was indeed a spark in the eyes of the veteran of Latin America's The Box and Playboy TV channels. And there's an even more obsessive spark in the eyes of the group's leader, Ildefonso de Miguel, who serves as Quiero Televisión's director general.

For de Miguel, Quiero Televisión is a case of "getting what you ask for." When he was CEO of Spain's second-largest telecoms company, Retevisión S.A., de Miguel successfully convinced the company's owner, Telecom Italia SpA, that it needed to invest in the DTT platform. Subsequently, the company asked him to head up Quiero Televisión himself.

While kick-starting a pay TV platform anywhere in the world involves many risks, Quiero Televisión's challenge is unique. Great Britain is the only other market in the world where DTT has been added to a pay TV cocktail that also includes hardwire-cable systems and direct-to-home television. And the fledgling British DTT service, ONdigital, has suffered from management upheavals and an uphill struggle against extremely determined and powerful competitors, DTH platform British Sky Broadcasting Group plc and the major cable operators.

Not so coincidentally, one of Quiero Televisión's shareholders, Britain's Carlton Communications plc, also owns part of ONdigital. "We've sent some of our people [to ONdigital], and they've sent some people to help us," says de Miguel.

He contends that "technically speaking," ONdigital's situation is much more complex than that of Quiero Televisión. According to de Miguel, "100 percent of the Spanish population has antennas that are pointed to receive the broadcast stations in Spain," so the receiving equipment for Quiero Televisión is already in place.

Retevisión, which provides transmission services for a number of Spain's terrestrial outlets, is committing more than 50 billion pesetas ($US308 million) to upgrade its distribution network so it can handle Quiero Televisión's digital signals. The network will involve some 147 distribution centers, and is expected to reach 80 percent of Spain's population by the end of this year.

Quiero Televisión expects to have 5,000 to 10,000 decoders installed in "friendly" homes over the next month for its soft launch. It already has ordered 50,000 decoders from France's Sagem, and is in the process of selecting another two or three providers for an additional 1 million boxes. Given that, de Miguel anticipates Quiero Televisión will have 100,000 to 150,000 customers by the end of this year and a 25 percent share of Spain's pay TV market by 2010, given an estimated total pay universe of 6.5 million households at that time.

DE MIGUEL

While those numbers may be impressive, those on retail pricing have yet to emerge and could well prove the life or death of the service. Analysts don't believe the expected lower cost of Quiero Televisión will mean that the other pay TV platforms will lose subscribers. "The arrival of DTT will increase the pay TV subscriber universe, especially if prices are lower than those of DTH and cable," says Eduardo Berrocal, a telecoms consultant at Andersen Consulting's Madrid office. "

"There is a huge pay TV subscriber universe to be conquered, because people are used to getting TV for free. That's why pay TV penetration is so low nowadays," adds Miguel Angel Eced, president of Autel, Spain's association of corporate telecommuications-services users. His comments refer to industry statistics showing that out of a total TV-household base of a little more than 12 million, Spain's multichannel services currently have just 2.3 million subscribers. In Eced's opinion, Quiero Televisión's success or failure lies in its programming.

Clearly, Quiero Televisión is counting on programming from two of its equity shareholders. Media Park, which has a 15 percent stake, is Spain's second-largest supplier of program networks for the pay TV industry. Carlton, with a 7.5 percent stake, is one of the most powerful members of Britain's Independent Television terrestrial-station network.

For its part, "Media Park will provide three or four services to Quiero Televisión, some of which we already supply to DTH and cable operators, but some will be newly created for DTT," says Media Park spokesman Jordi del Río.

Also furthering Quiero Televisión's potential is a government mandate that Spain's terrestrial networks convert to digital by the start of 2002 and cease analog transmissions completely by 2010. When they convert to digital, they'll all be accessible on the decoders that Quiero Televisión is distributing to its customers. "We're in a must-carry situation," explains de Miguel. There are two other channels that will also be made available on the decoders, although licenses for those services have yet to be awarded by the Spanish government.

Needless to say, Quiero Televisión plans to bid for those licenses. And it has no intention of stopping its expansion at the Spanish border. Referring to the potential of DTT in other European markets, a spark returns to de his eyes. "Why not?" he says. ■

Taking Stock

BY MIKE GALETTO

INTERNET

'Bueno' for Broadband

A NEW YORK SUBWAY CAR plastered with ads for Spanish-language Web sites speeds down the tunnel, full of potential users — and investors — in Latin America's Internet revolution.

And while the region's Internet market is dwarfed by those of North America, Europe and Asia, it's surging ahead and packs some lucrative rewards, according to recent analyses by Salomon Smith Barney. The investment bank forecasts the value of Latin America's Internet market, as measured by sales revenue, to surge to $US39 billion in 2010 from a current $US600 million.

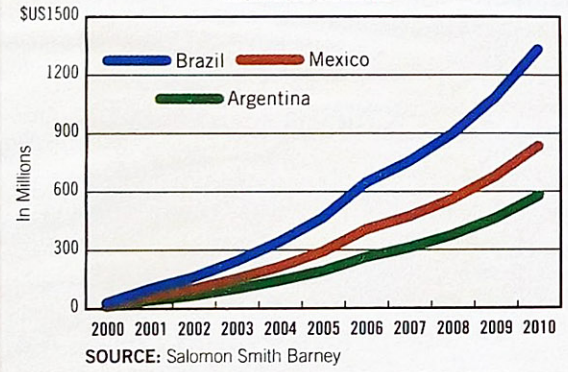
Some of the biggest rewards could be reaped by the region's access providers that are leveraging strong positions in traditional telco businesses to build platforms for their own high-speed tunnels. In its 88-page *Viva la Revolución* report analyzing the access market, Salomon Smith Barney picks some pretty familiar names, including Teléfonos de México S.A. (Telmex), Brazil's Embratel Participações S.A. and Telecom Argentina S.A.

Telmex, which the report calls Latin America's "Tele Most Exciting" company, has a wide array of investments — ranging from U.S.-based Internet-service provider (ISP) Prodigy Communications Corp. to a Latino-wide alliance with Microsoft Corp. to develop Web content — that should propel its growth in the broadband market.

The report also says cable-modem and digital-subscriber-line (DSL) rollouts should hit stride this year, but that the battle between the two platforms should be less heated than in other regions. That's because of the relatively low penetration of cable in most countries – though Argentina is an exception. In Brazil, for example, São Paulo telco Telesp Participações S.A. could garner up to 120,000 DSL subscribers by the end of this year.

The report also notes that top Brazilian cable operator Globo Cabo S.A. is also poised to become a major contender following the launch of its Virtua high-speed platform.

Latin American E-Commerce
Estimated Revenue



SOURCE: Salomon Smith Barney

FORECASTS

Power to the People

THE MEDIA INDUSTRY IS PROBABLY FULL of folks who like to consider themselves visionaries, but consumers (and their computers) might just provide the upheaval. That's just one of the conclusions of a recent study by corporate-services firm PriceWaterhouseCoopers L.L.P.

"The long-term effect of the 'digital revolution' on the entertainment and media industries is that the means to create, process and redistribute content will migrate from producer to user," PWC's *The Future of the Entertainment and Media Industries: 2005* reads. MP3 music files are certainly providing the first taste of that shift, and sending record companies scrambling.

To be sure, advances in areas such as transmission capacity and processing speed will exacerbate the changes. PWC's report forecasts how the industry might look in 2005, and provides its own myths and realities of the future of media. Not surprisingly, the firm uses a metaphor that's very familiar to all those teenagers downloading the MP3s, the mall. The "Mall for Entertainment/Media Content Access," will house four types of tenants. The big "anchors" include the likes of News Corp., merger buddies America Online Inc. and Time Warner Inc., The Walt Disney Co., and Viacom Inc. and CBS Corp., which are also merging. Smaller "segmentors" will be represented by mid-sized Web companies that will provide innovation, but which will also need to team with the anchors to achieve scale and global scope. "Boutique" and "amateur" tenant will enter and exit the mall, enabled by new technologies and foiled by "bricks-and-mortar" realities such as marketing and product segmenting.

Thought the drive to the mall was bad? PWC's report forecasts that over the next 50 years, bandwidth supply will "lag data-transport demand by five to 10 years."

Media Myths

The following are just some of the "myths" PriceWaterouseCoopers aims to debunk in The Future of Entertainment & Media.

Myth	Reality
Content is king	**The consumer is king**
Convergence rules	**Divergence rules amid new proprietary devices**
Last-mile ownership is crucial	**Every mile matters**
Globalization will continue	**Diversity will triumph**
Companies must "own" consumers	**Customers will only follow experiences**

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ONE ON ONE

Creativity and the Internet

JO DALLAS SPEAKS WITH DANIEL SAWICKI

Daniel Sawicki must be one of the pay TV industry's most eclectic entrepreneurs, having delved into just about every area of the business in Latin America.

On one front, he and partner Robert Behar ran Hero Productions, an uplinking and television-production facility. He later launched a Brazilian Internet-over-cable service called Zapp TV. All the while, he and Behar helmed Latino-music channel HTV.

Despite the breadth of his business interests, the native Argentine could not be accused of being a dilettante. Several of his ideas have bloomed into successful businesses that were eventually acquired by global heavyweights. Hero was bought by GlobeCast North America, a subsidiary of France Telecom S.A., while HTV passed into the hands of Miami-based Cisneros Television Group.

The sales — and the cash he received from them — have enabled Sawicki to pursue his latest passion, the Internet. His vision is to grow, or "incubate," new Web businesses through a venture-capital company called The Web Hatchery, which has some Internet sites of its own: MundoIT.com and MiCanal.com. The sites provide news on information technology and the world of Spanish- and Portuguese-language media. Joining him in this task are two partners: director Aryeh Rubin, a former investment banker, and chief operating officer Riccardo Di Capua, a Colombian and veteran of the engineering-services industry.

In the following edited interview, Sawicki discusses the new businesses he is looking to hatch out into the world.

DALLAS: Can you explain how The Web Hatchery, MundoIT.com MiCanal.com are all linked?
SAWICKI: The Web Hatchery is kind of the mother company. The projects that it has invested in so far are MundoIT and MiCanal, which are our own ideas; they don't have other investors. But The Web Hatchery is [also] an incubator/venture-capital company, so we invest in Internet ventures, especially when they have a focus on Latin America.

We not only offer the seed money so they can start off, but also office space and human resources and networking for the first few months of operation.

DALLAS: Why have you now decided to concentrate on the Internet-content side of the business?
SAWICKI: Even when I was with HTV we had an Internet presence. I think sooner, rather than later, content will be king again, and [the planned merger of] America Online Inc. and Time Warner Inc. is proof of it. I feel better dealing with that, rather than in the pure technological field. What I mean is that I don't want to be manufacturing cable modems and competing with the likes of Scientific-Atlanta [Inc.], because I know I wouldn't be able to do it. But in content you can be more creative, you can develop stuff for a niche market and be successful at it.

DALLAS: How are you positioning MundoIT.com?
SAWICKI: MundoIT is very specific and very niche, and is just about information technology and the Internet economy. The are a few sites in the U.S. specializing in delivering news about the Internet, like Internet.com or Individual.com.

DALLAS: Who are you targeting with MiCanal.com?
SAWICKI: MiCanal is useful to both content providers and users. Our idea is not to be a content provider, but a content aggregator — to be able to offer content providers distribution via the Internet to reach a market that they cannot reach via traditional distribution methods like satellite or cable.

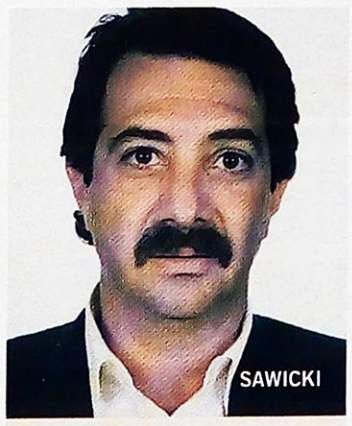
From the user point of view, it is easier or more logical, let's say, to go to a site where all the media is concentrated together, rather than jumping from one site to the next. So the idea is to have one site where all the media in magazines, newspapers, radio, television and cable networks that is being produced in Spanish and Portuguese is concentrated and indexed.

DALLAS: Is there anyone doing quite what you're doing?
SAWICKI: The model we have is very similar to that of Broadcast.com in the U.S. There are a few sites here and there trying to develop what we are trying to develop, but no one has a name in the [Latin American] region yet or has become an established player.

DALLAS: Tell me about your business agreement with Argentine network group Pramer S.A.
SAWICKI: The agreement is to host five of their networks on MiCanal.

DALLAS: What is Pramer's aim here?
SAWICKI: Traditional media is experimenting with the Internet. In the end, they will develop specific programming and content for the Net, but for the time being they are repositioning the content that they have, because it is a cheap and more immediate way to do it. There's a basic need among program providers to have a presence on the Net.

DALLAS: Presumably with the end goal of selling their networks more widely?
SAWICKI: It's twofold. The first is to get distribution or exposure, getting branding in, for example, in the United States among U.S. Hispanics. They feel that they can increase their advertising dollars because they are delivering a larger audience.

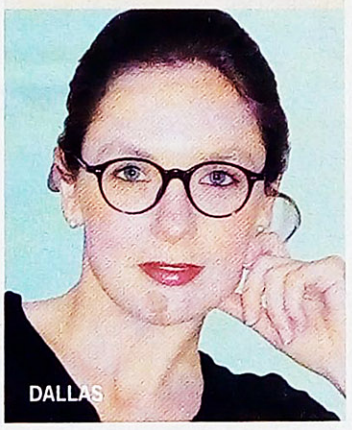

SAWICKI

DANIEL SAWICKI

TITLE:
President and CEO, The Web Hatchery

BACKGROUND:
Joined Hero Communications, which later became Hero Productions, in 1986 and was made a partner in 1988. Co-founded panregional music channel HTV in 1995. Sold out of these businesses and launched The Web Hatchery late last year.

STATISTICS:
49 years old, married with two children, lives in Miami, Fla.


DALLAS

But it is also to experiment with e-commerce, to do stuff on their network interacting with their Web sites, having their own artists on chat-rooms during a program, promoting their Web sites and bringing people to the Web site to sell products.

DALLAS: You say most of your revenue will eventually come from advertising, but you're charging clients for a presence on the Net.
SAWICKI: For the hosting, yes. They have to pay to be part of the network. We are charging about $US5,000 [per month] as a reference number, not a quote, for hosting, connectivity and being part of the [MiCanal] community.

DALLAS: There were some interesting statistics recently from Salomon Smith Barney, quoting International Data Corp. (IDC), estimating there will be 19.1 million Internet users in Latin America in 2003, versus 4.8 million in 1998.
SAWICKI: In 1999 they say it was about 7 million. The numbers and projections are widely different. If you compare Jupiter Communications Inc. with Forrester Research Inc. with IDC, they are all over the place. What's important to see — regardless of what the number is — is that they predict huge growth, and that by 2003 or 2005, [the Internet] will be widely available in Latin America.

DALLAS: What are your views on the state of Latin America's satellite-TV business?
SAWICKI: I have to confess since leaving cable I have not been reading any publications related to cable. I've lost contact with the cable industry, though not with the friends I have in it. In fact, many of them are getting involved with the Internet, but [I'm not abreast of] what's been happening in Brazil and Colombia, let's say.

DALLAS: Panregional programmers have certainly had a tough time.
SAWICKI: So I was clever in selling [HTV], right?

DALLAS: You tell me. Did you exit at a good point?
SAWICKI: Yes. But I still miss it, because HTV is a project that I feel very proud of. But I think I sold at the right time. It was very difficult to survive as an independent network. ■

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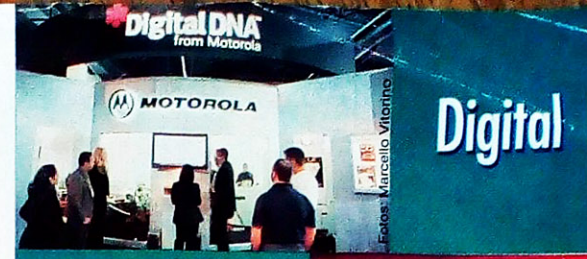
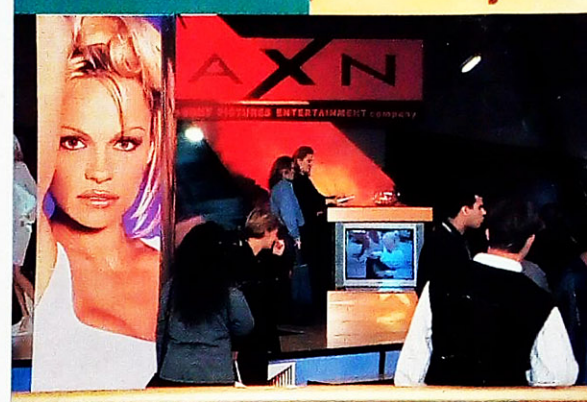


Digital

Convergence



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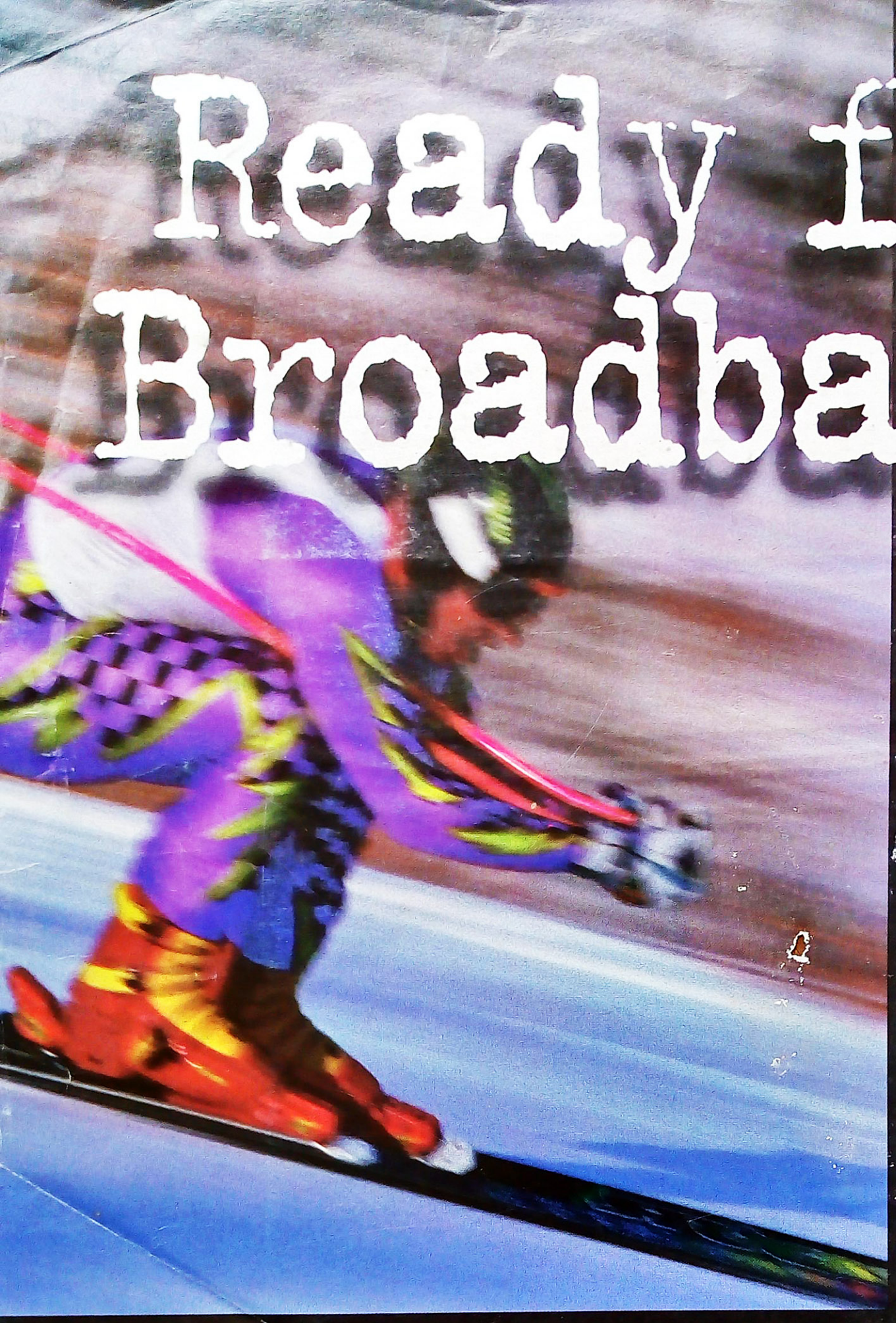

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